



Middlesbrough
College

Report and Financial Statements
for the year ended 31 July 2022

Key Management Personnel, Board of Governors and Professional advisers

Key management personnel

Key management personnel are defined as members of the College Senior Leadership Team and were represented by the following in 2021/22:

Zoe A Lewis, Principal and CEO; Accounting Officer
Gary Cumiskey, Deputy Principal / CEO
Miranda Coles, Interim Vice Principal Finance and Registry (resigned 13 October 2021)
Mike Russell, Vice Principal Finance and Registry (appointed 6 September 2021)
John Chance, Vice Principal Quality and Standards
Jane Steel, Vice Principal Staff and Students (resigned 31 January 2022)
Aimey Adamson, Vice Principal Students and Communications (appointed 13 December 2021)
Sara Marshall, Group Director of Campus and Digital Services
Kelly Parkinson, Executive Director of Human Resources

Board of Governors

A full list of Governors is given on pages 19-21 of these financial statements.

Zeta Foster acted as Clerk to the Corporation for the period to 31 July 2022.

Professional advisers

Financial statements and regularity auditor:

Mazars LLP
The Corner
Bank Chambers
26 Mosley Street
Newcastle upon Tyne
NE1 1DF

Internal Auditor:

RSM Risk Assurance Services LLP
1 St. James Gate
Newcastle Upon Tyne
NE1 4AD

Bankers:

Santander Bank
Corporate Banking
Level 9 Baltic Place
South Shore Road
Gateshead
NE8 3AE

Legal advisers:

Womble Bond Dickinson (UK) LLP
St Ann's Wharf
112 Quayside
Newcastle Upon Tyne
NE1 3DX

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Principal's Foreword

The academic year 2021-22 was in many respects characterised by a return to normality following an extended period of disruption due to the pandemic.

Our focus for the year was rightly in ensuring lost learning was recovered, that student and staff wellbeing was cared for and on ensuring our students were supported in every way to feel confident about their next steps when they leave us. This, alongside expanding our support for teachers' personal and professional development through our taking teaching higher strategy were and continue to be key priorities for the college as we move forward.

Strategically, the college continues to forge strong partnerships with employers and stakeholders to support inward investors and local skills priorities. We determinedly lead on the implementation of the government's skills for jobs agenda through strategic investment and development plans which are ongoing such as:

- A significant expansion of **STEM** facilities (2015) and subjects such that now two thirds of our school leavers are studying in 'priority' sectors rising from one quarter in 2008.
- The acquisition of a respected apprenticeship training company (NECC training) covering complementary sectors and a wider geographic reach across the North East of England – creating **Northern Skills** the apprenticeship and training arm of the college. (2016)
- Forming part of the **North East Institute of Technology** collaboration (2019) to further the development and take up of higher technical qualifications
- Utilising **devolved flexibilities** to develop new and improved **bespoke employer led provision** (BELPs) through our new adult and community learning centre (2019)
- Transferring a strategically important specialist engineering training provider from administration into the group (being adjacent to a new Freeport) **TTE** (2020)
- Delivering **T levels** from 2021
- Collaborating with local providers to support inward investors as part of the **Teesworks Skills Academy** consortium (2021)
- Working in partnership with our employer representative body (ERB) to develop a **Trailblazer LSIP** and delivering associated **Strategic Development Fund** projects (SDF) (2021-22)
- Developing **Skills Bootcamps** and **Higher technical qualifications** to meet local needs (2022).
- Delivering an ambitious **digital strategy** including MC Click personal devices for all full time students.
- Developing an ambitious £14m development plan to relocate **TTE** from its current aged leased site in South Bank to our main campus by 2024.

In spite of such an extensive and ongoing strategic investment plan, we are delighted to have achieved a 'Good financial health' rating in 2021/2022. As well as good financial performance, the college once again returned good student outcomes, good staff, employer and student satisfaction ratings, and perhaps most importantly excellent positive destinations for our students.

Despite the difficult and uncertain economic climate, the College is confident that, working with our local partners, we can serve employers with the highly skilled talent that they need and play an increasingly important and exciting part regenerating our local and regional economy.

We would like to congratulate and thank our students, staff and governors for what has been another highly successful and rewarding year for the College.



Zoe Lewis
Principal / Chief Executive
15 December 2022

Report of the Governing Body

NATURE, OBJECTIVES AND STRATEGIES

The Members present their report and the audited financial statements for the year ended 31 July 2022.

Legal status

The Corporation was established under the Further and Higher Education Act 1992 for the purpose of conducting Middlesbrough College. The College is an exempt charity for the purposes of Part 3 of the Charities Act 2011.

The College owns 100% of the issued share capital of the following subsidiaries which exist to support the College's principal mission and objectives:

- **Northern Skills Group Business Services Limited** (formerly known as Northern Skills Group Limited), was acquired on 1 August 2016 and provides business support services to Middlesbrough College.
- **Northern Apprenticeship Company Limited** operates as an apprenticeship training agency employing apprentices engaged on a training programme with a major local organisation.
- **TTE (Technical) UK Limited** was acquired in December 2019 and offers study programme, apprenticeships and commercial training courses locally from its base in Middlesbrough.
- **TTE International Limited** was acquired in December 2019 and offers commercial training courses mainly to large overseas global organisations from its base in Middlesbrough.
- **TTE Apprenticeships Limited** was acquired in December 2019 and operates as an apprenticeship training agency employing apprentices engaged on training programmes with large local organisations.
- **Middlesbrough College Management Services Limited (dormant)** - The company was incorporated in 1993.
- **University Centre Middlesbrough Limited (dormant)** - University Centre Middlesbrough Limited (formerly known as Mizaru Media Limited) was incorporated in 2011.

Mission

The College's Mission Statement for 2021 / 2022 was "To provide education and skills that enhance the region's economic and social prosperity

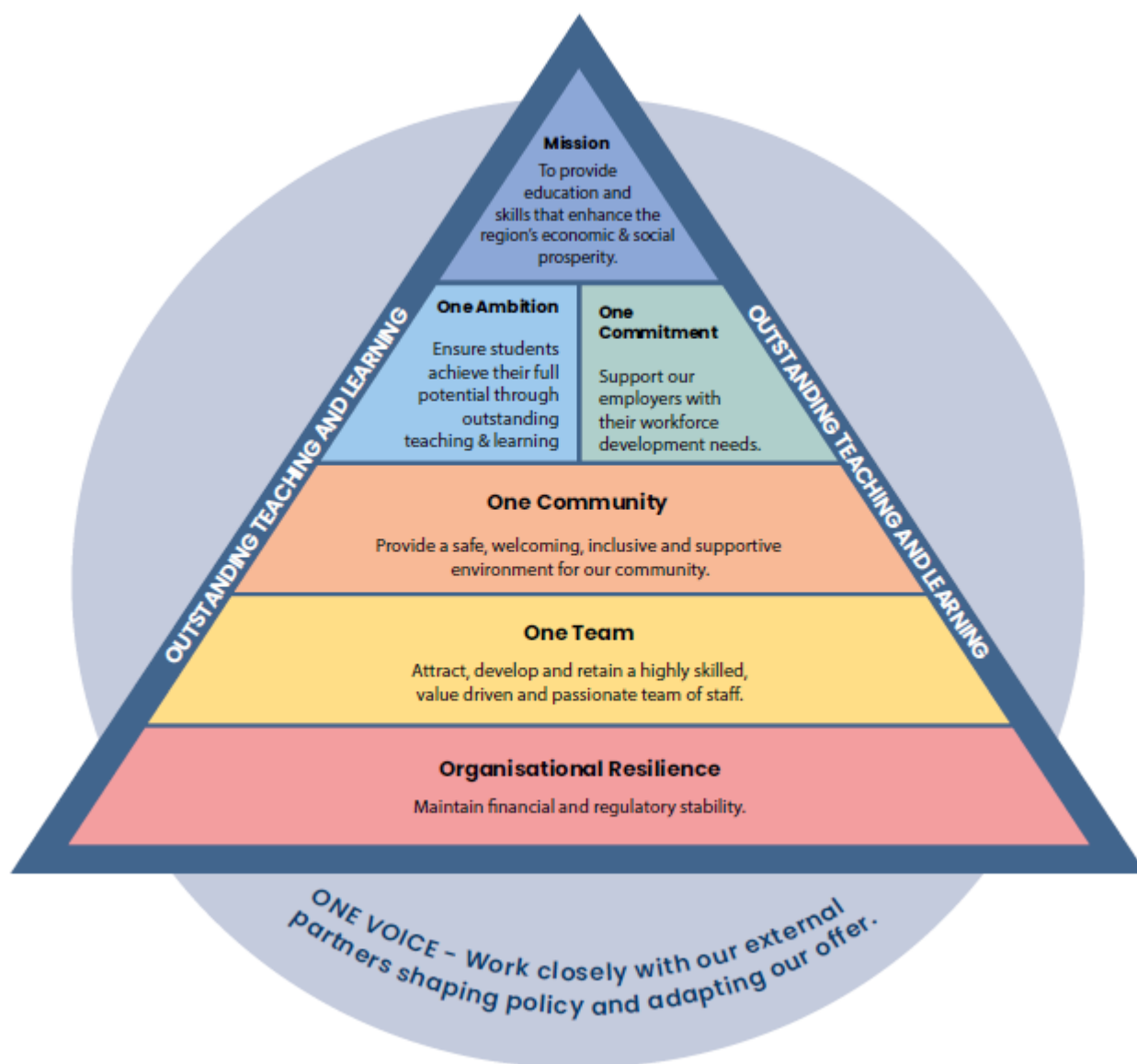
Strategic Aims and Priorities

The Governing Body and Senior Leadership Team updated the five year strategic plan in May 2018, which builds upon our recent success and sets out our statement of ambition for the period 2018 – 2023, a refresh was undertaken during 2020 / 2021 for the period 2020 - 2023.

The Strategic Plan reinforces the need to ensure the College meets the needs of the local economy and emphasises our obligation to ensure that all students gain the skills they need to progress into further education and ultimately employment.

Our Vision

To be an outstanding provider of education and training, which improves educational outcomes, employment prospects and lifetime opportunities for our students.



Our Values

The College values set out the behaviour expected of both staff and students and are very much at the heart of delivery of the College strategy. These values have been developed in consultation with staff and students and represent both who we are now and how we aim to be perceived by others.



Within the Strategic Priority “Organisational Resilience” the College has set its overarching Financial Objective

“To deliver our strategy through strong financial stability, enabling continued investment in assets and resources”.

In order to deliver this objective, we will:

- Ensure strong financial stability and meet bank covenants and ESFA health ratings at all times.
- Increase investment in our IT systems and infrastructure, and continue our campus development plans to maintain an outstanding, state of the art learning environment – across all sites.
- Open out facilities for community and charity use.
- Ensure we at least retain our current market share of school leavers across our 3 key catchment boroughs.
- Actively prepare for future demographic growth, whilst maximising other growth opportunities that have a positive impact on learners, employers and the local community.
- Provide a forum which regularly assesses, monitors and manages risk.
- Ensure adequate arrangements are in place to safeguard our reputation and to ensure continuity of our business.
- Ensure our Governing Body maintains a broad range of skills and experience, able to set and review our strategic plan with objectivity and ‘value driven’ decision making and provide appropriate levels of challenge and support to ensure its delivery.

The College monitors its performance against the strategic plan and its achievement of the strategic priorities. The **financial performance indicators** by which the College determines its success in achieving this are:

- Achieve at least “Good” rating in ESFA financial health measure.
- Continue to meet all bank covenants providing sufficient headroom.
- Set and deliver surplus operating budgets.
- Generate cash from operations – EBITDA target at least £3m.
- Maintain capital investment levels at £1.25m.

The College has also adopted some “Golden Rules” against its financial health rating objective which are:

- Current ratio maintained >1
- EBITDA as % of income >7%
- Borrowings as % of income <35%

The golden rules provide a safety net and early warning system for any one ratio reducing below the minimum targeted level in order to maintain the financial health rating of Good.

All financial objectives and golden rules have been met or exceeded save for the target to maintain EBITDA at greater than 7% of sector adjusted income :

Financial objective / golden rule	31 July 2022 Actual
“Good” financial health	220 Points “Good”
Meet bank covenants	All Met
Operating surplus set and delivered	£0.2m
EBITDA >=£3m	£3.28m
Annual capital >= £1.25m	£8.7m
Current ratio >1	1.81
EBITDA >7%	6.8%
Borrowings to income <35%	21.9%

The target EBITDA percentage was missed by 0.2 percentage points in year. This is attributed to unprecedented cost inflation in the year, in particular in relation to energy costs which ultimately out turned at £0.6m above budget driven by significant price increases. Without these specific price increases the College’s EBITA would have been c£3.8m (7.8% of income).

Strategic Capital Investments

In 2021 the College set out on a significant capital investment programme including to £12.6m of planned investments between August 2020 and November 2021 supported by £8.5m of grant funding. These planned investments were commenced to increase the facilities at the main campus at Middlehaven, providing a dedicated learning space for higher level learners in its Institute of Technology (IoT) and other curriculum developments including an investment in T Level accommodation.

Total capital expenditure in 2021 fell short of planned levels, as major construction projects were delayed due to the impact of Covid-19 and other macro-economic factors, which restricted availability of construction manpower and materials. Unspent capital budgets from 2021 were carried forward into 2022 with projects completed by Spring 2022.

In 2022 the College has also continued to invest further in equipment for students receiving a £1.2m specialist equipment allocation from DfE which has been invested in equipment for the new T-level curriculums across Digital, Construction, Education & Childcare and Health & Science. In addition, as part of the College’s digital transformation strategy £0.6m has been invested in new digital devices for use by

students in the classroom and at home, in order to improve their learning experience and help alleviate digital poverty which is seen as a barrier to a large number of our students that are drawn from deprived backgrounds

Over the year major construction projects have been completed and, supported by additional grant funds, the College has invested a total of £8.7m in capital to develop its campus for future demands and provide equipment to meet the developing needs of its students.

In addition, during the year the College has secured further grant funding in support of a proposed relocation of its TTE facilities in South Bank to the Middlehaven campus. This £12m project is expected to begin construction early in the 2023 calendar year and will provide a future proofed fit for purpose engineering centre which underpin the College's commitment to this key local priority area.

Key Performance Measures

The College has a comprehensive suite of Key Performance Measures across the curriculum and business support areas which are linked to strategic objectives. These are measured on a regular basis and reported termly, progress is conveyed to the Governing Body and its sub committees.

Outcomes for learners have remained consistently high following the disruptions of COVID.

Learners experience good quality education as evidenced by high satisfaction rates across all provision types. Learners are well prepared for the next stage of their education, training or employment. Most learners, progress to further/higher education, employment or training at a level suitable to meet appropriate career plans.

Education programmes for young people build on learners' prior attainment and prepare them well for further study or employment. In some areas there is good participation in regional and national skills competitions, with many students successfully securing a top 3 place. These competitions help to further enhance the learners' skills, behaviours, and their employability skills.

Almost all learners move on to sustained education, employment, training, or an apprenticeship (96%), contributing positively to reducing youth unemployment rates. When measuring just leavers, excluding internal progression which makes up most education programmes for young people learners, positive destinations stand at 91%. Teachers prepare learners well for progression onto higher levels of study, especially on Access courses where progression from Access to HE is very strong. Two thirds of A level students gain their first-choice university.

Destinations for adults vary significantly depending on provision type. Many adults are already in employment. For Access to HE 99% go onto HE provision. For unemployed learners, both taught at the college or through one of our subcontractors 74% gain employment on completion of their course. For employed learners a good proportion progress into further education and or use their new skills in their employment.

Apprentices have very high rates of sustained destination, with 98% remaining in employment or training. Apprentices develop good skills which are valuable in the workplace. 98% of employers felt satisfied with the apprentice provision.

Basic skills achievement rates are well above national rate. Achievement outcomes for learners have remind high despite the impact of COVID. Achievement for 16-18-year-olds are above national rates. The majority of GCSE and Functional Skills learners make good progress towards achieving GCSE grade during their education programmes for young people. Adult achievement rates have shown significant improvement over recent years. Most adult learners enrol on part-time accredited courses. Achievement of apprentices is well above the national rate for overall achievement. Retention and pass rates on HE provision are high. Where applicable, students are offered the opportunity to re-study or re-take modules.

There are no significant gaps in achievement rates for age, gender, disability, ethnicity, and disadvantage.

The Students' Voice

The College has continued with its commitment to ensuring that the student voice is at the heart of its decision making process.

- Freshers' 22 was held over 4 days, 20-23rd September 2022. We welcomed various guests including Brook and Cleveland Police, with a range of entertainment, interactive games, information and awareness raising for students.
- Class and Directorate Representatives were elected and appointed in October. The first Cross College Council Meeting took place on 17th November 22 and had good representation from students, with positive conversations taking place. All student voice feedback is tracked and capital expenditure assigned to the areas requiring the most resource or change.
- The College has recruited 20+ Ambassadors to support cross college events and represent the student body.
- Two Student Governors have been appointed for 2022/23. The calibre of candidates was so high that the other applicants will form a Lead Student Council Team, with one being an understudy for the two appointed Governors.
- We have welcomed Brook, Cleveland Police and Cleveland Fire service in for awareness raising and information talks about sexual health, knife crime, drugs and alcohol safety and road safety.
- The Enrichment offer launched 31st October 2022 after running taster sessions throughout the first half term.
- Elections will be held in November 2022 for the SU Executive Officers for Anti-Bullying and Equality and Diversity Officers to complete the SU Executive Team for 2022/23.

RESOURCES

The Group has various resources that it can deploy in pursuit of its strategic objectives and delivers its educational services from its Middlehaven campus, premises in South Bank, Middlesbrough (via TTE) and satellite locations in Newcastle and other north east towns.

Financial

At 31 July 2022 the Group had £28.4m of net assets (31 July 2021: net assets of £3.7m), cash at bank of £5.2m (31 July 2021 : £6.5m), loan balances of £10.7m (2021: £11.3m) and defined benefit pension liability of £3.2m (31 July 2021: £27.5m). The movement in the actuarial valuation of the Colleges defined benefit pension liability is the key driver in the significant increase in net assets between 2021 and 2022

The Group has generated cash from operations during the year which has been utilised towards capital investment projects, and reducing debt. Overall cash reserves have reduced by £1.3m as surplus funds generated in prior years have been invested as match funding in support of the capital expenditure in-year

People

During the year, the Group employed an average of 1020 people of whom 552 are teaching staff. (2020/21: 1020 and 570 respectively).

Student numbers

The Group enrolled approximately 11,890 students. The student population included 4,094 16-18 year old students, 1,710 apprentices, 679 higher education students and 5,407 adult learners.

Reputation

The College has a good reputation locally and regionally, based on a good quality provision of education and training. The College has strong links and relationships with local employers and other stakeholders.

Stakeholder relationships

Middlesbrough College has many stakeholders. These include:

- Current, future and past students;
- Staff and their trade unions;
- Education sector funding bodies;
- Local employers (with specific links);
- Local authorities / Tees Valley Combined Authority;
- Government Offices and Local Enterprise Partnerships (LEPs);
- Employer representative bodies including North East Chamber of Commerce which is leading on the Tees Valley Local Skills Improvement plan;
- The local community;
- Other FE institutions, schools and universities;
- Professional bodies;
- Awarding bodies.

The College recognises the importance of these relationships and engages in regular communication and dialogue with its stakeholders.

Public benefit

Middlesbrough College is an exempt charity under Part 3 of the Charities Act 2011 and is regulated by the Secretary of State for Education. The members of the Governing Body, who are trustees of the charity, are disclosed on pages 19 - 21.

In setting and reviewing the College's strategic objectives, the Governing Body has had due regard for the Charity Commission's guidance on public benefit and particularly upon its supplementary guidance on the advancement of education. The guidance sets out the requirement that all organisations wishing to be recognised as charities must demonstrate, explicitly that their aims are for the public benefit.

In delivering its mission, the College provides the following identifiable public benefits through the advancement of education:

- High-quality teaching
- Widening participation and tackling social exclusion
- Excellent employment record for students
- Strong student support systems
- Links with employers, industry and commerce and Local Enterprise Partnerships (LEPs)

Financial results

The Group delivered an underlying surplus in the year of £241k, (after adjusting for non-cash pension entries) and EBITDA was £3.27m in the year (2021 £2.4m and £4.9m respectively):

	2022
Underlying earnings reconciliation	£'000
Total Comprehensive Income	24,701
Less actuarial gain	(27,249)
Deficit before tax	(2,548)
FRS102 service charge	2,457
Enhanced pension provision movement	(373)
Pension interest	488
Enhanced pension interest	51
Holiday pay accrual movement	166
Underlying surplus	241
Net loan interest payable	208
Capital grant amortisation (income)	(1,523)
Depreciation and amortisation	4,351
EBITDA	3,277
*- Stated net of employer contribution	

The Group had budgeted an overall underlying surplus of £1m in 2021/22. The shortfall of £0.7m between the £1m budget and £0.24m surplus achieved in the year can be attributed principally to unbudgeted energy cost increases driven by market prices (c £0.6m) and some lost budgeted contribution from International delivery (c£0.1m) linked to direct delivery in Ukraine.

Income for the Group increased by £3.5m to £50.3m (2021: £46.8m). The College remains highly dependent on the education sector funding bodies and the locally devolved adult education budget for its principal sources of funding (largely from recurrent grants). In 2022 this funding accounted for 80% of the Group's total income (excluding release of capital grants) (2021 82%). In particular:

- **Education and Skills Funding Agency - 16-18.** The group was funded by the Education & Skills Funding Agency (ESFA) for 4,219 learners aged 16-18 equating to £24.6m of programme funding (2020/21 3,926 learners £23.6m). Actual recruitment in 2021/22 was marginally below allocation at 4,094 learners.
- **Tees Valley Combined Authority – Adult.** The College's Adult Education delivery funded by the Tees Valley Combined Authority was £4.6m
- **Education and Skills Funding Agency – Adult.** The College's Adult Education delivery funded by the Education and Skills Funding Agency (delivery outside of the Tees Valley) was £1.1m
- **Education and Skills Funding Agency – Apprenticeships.** The College had set a budget for Apprenticeships of £5.0m for 2021. However, positive levels of recruitment resulted in the College delivering £5.7m for the year.

The Group's reported financial position is influenced heavily by movements in the actuarial valuation of the Local Government Pension Scheme which has fluctuated significantly in recent years as a result of changes to actuarial assumptions, the impact of the Covid-19 pandemic from 2019/20, followed by more recent impacts of interest rate movements on underlying asset and liability values:

	2022	2021
Group financial position	£'000	£'000
Net assets	28,490	3,789
Defined benefit obligations	(3,231)	(27,535)
Net Assets (excluding defined benefit obligations)	31,721	31,324
Tangible fixed assets	80,619	75,965
Borrowings	(10,688)	(11,326)
Cash	5,248	6,585
Net (debt)/ funds	(5,440)	(4,741)

In 2020 the Group's reserves were impacted significantly by a £17.5m adverse actuarial valuation of the College's share of the LGPS scheme assets and liabilities which almost trebled the College's defined benefit pension liability to £30.1m (from £10.9m) and caused the group to report net liabilities of £1.2m.

Across 2021 and 2022 this situation has reversed, and the College's defined benefit pension obligations now stand at £3.2m. In particular the 2022 actuarial assumptions have driven a £24.3m reduction in the Colleges overall defined benefit obligations. This accounts for the vast majority of the increase in the College's net assets from £3.7m to £28.4m this year.

Cash flows and Liquidity

The College's £8.7m investment in fixed assets has driven an overall £4.6m increase in tangible assets in 2022 (after depreciation). The College contributed £3.1m of this expenditure from in- year earnings and cash reserves, which in turn has driven a £1.4m reduction in cash at the year-end to £5.2m. Bank loans have been reduced by £638,000 in line with the agreed amortisation schedule.

Net debt at 31 July 2021 was £5.4m (2021: £4.7m). The increase in net debt is due to investment of cash reserves in capital projects.

At the year-end the College had £10.7m outstanding borrowings from a 16 year £13.4m loan facility (which matures in 2030). During the year, loan interest of £0.2m was incurred (2021: £0.2m), at a floating rate following SONIA plus a fixed margin of 1.45% resulting in an average interest charge of 1.88% across the year. The College remains compliant with all of its bank covenants.

The size of the College's total borrowing and its approach to interest rates has been calculated to ensure a reasonable cushion between the total cost of servicing debt and operating cash flow. During the year this margin was comfortably exceeded.

Financial Health

The College's financial health as measured by the ESFA is self-assessed at a rating of "Good" for 2022. The College's medium term financial plan prepared in July 2020 shows the College maintaining at least "Good" financial health rating throughout the period to July 2026.

Treasury Policy and Objectives

Treasury management is the management of the College's cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities and the pursuit of optimum performance are consistent with those risks.

The College has a separate treasury management policy in place.

Short-term borrowing for temporary revenue purposes is authorised by the Principal/Chief Executive. Such arrangements are restricted by limits in the College's Financial Memorandum agreed with the Education and

Skills Funding Agency. All other borrowing requires the authorisation of the Corporation and shall comply with the requirements of the Financial Memorandum.

Reserves Policy

The College has no formal Reserves Policy but recognises the importance of reserves in the financial stability of any organisation and ensures that there are adequate reserves to support the College's core activities. It is the Corporation's intention to increase reserves over the life of the strategic plan through the generation of annual operating surpluses.

Curriculum developments

The College currently has an overall Grade 2 "Good" Ofsted rating (dated September 2018) was awarded TEF Gold status by OfS (2017) for Higher Education provision, and continues to deliver strong, consistent learner outcomes, across study programme, adult and HE delivery. However, during the year a focussed Ofsted inspection of initial Teacher Education provision (58 students) awarded the College a second Grade 3 (Requires Improvement) in that area.

A detailed action plan has been developed and good progress is being made to address the issues identified. Overall feedback from learners and employers through the formal QDP survey is good,

"Taking Teaching Higher" the College's Teaching and Learning Strategy has continued to help embed a culture where teachers are reflective practitioners, who access regular feedback and CPD and welcome learning walks, digital innovation and understand the teaching theories that underpin their practice.

The College continues to respond swiftly to government policy, implementing T levels, forming part of the North East Institute of Technology and the Teesworks Academy. The College awaits publication of the Tees Valley Local Skills Improvement Plan and has worked in advance to align with the likely outcomes by developing an curriculum that is biased towards technical and professional and high priority sectors identified in the Local Economic Plan.

T Level qualifications are new, two-year challenging qualifications which have 45 days industry placement attached and are now running in the following subjects:

- Digital Production, Design and Development
- Design, Surveying and Planning for Construction
- Building Services Engineering for Construction
- Onsite Construction
- Health
- Childcare Education.

The College also works closely with national bodies and Government to help inform and influence policy.

Future prospects

The College's 16-18 ESFA funded recruitment for the following academic period, 2022/2023, is in excess of the Colleges ESFA allocation by around 200 learners and in line with the Colleges financial plan. The College hopes to be in a position to seek in- year growth in relation to these additional learners. Apprenticeship carry-in funding is stronger than planned however in- year recruitment is currently lagging slightly behind plan and this position is being monitored closely given the current wider economic uncertainty particularly in relation to the appetite of SME companies to invest in new apprentices. Recruitment on Higher Education courses and those funded through Advanced Learner Loans income have also fallen slightly behind budget,

However, in contrast Colleges TVCA adult funding allocation has increased to £5.120m in 2022/23 compared to £4.573m in 2021/22. It is hoped that this increase, alongside a potential in- year growth claim on 16-18 delivery will help offset the apparent lost traction in Apprenticeships HE and Adult Learner loans.

Management is also currently assessing the ongoing and future impacts of external cost pressures on budgets in 2022/23 and beyond. These continue to include significant increases in energy prices (and uncertainty as to whether government support will be available to mitigate price increases beyond March 2023), future increases in the underlying cost of staffing and staff expectations on pay as well as scheduled increases to the National Living wage of 9.7%. In addition, the College's borrowings are priced at a margin over the Sterling Overnight Interbank Offering Rate ("SONIA") which aligns closely with Bank of England base rate which increased by 1.15 percentage points to 1.25% during 2021/2022 and has since more than doubled to 3.0% in the period between August 2022 and November 2022, with further increases anticipated.

These cost pressures, which were not predicted and are outside of the College's control are likely to make achievement of the 2022/23 budgeted operating surplus of £0.6m challenging. However management considers that despite these pressures, through ongoing monitoring of income and management of expenditure the College will be able to deliver and underlying operating surplus in year and EBITDA in excess of its £3m. This ensures alignment with the College's "golden rule" targets and that the College will meet the ESFA's criteria for Good financial health.

Going concern

After making appropriate enquiries, the Governing Body considers that the College has adequate resources to continue in operational existence for the foreseeable future and has approved the 5-year financial plan to July 2027. As of 28 November 2022 the Group had available to it £8.7m of cash at bank.

In addition, despite difficult macro-economic conditions and increasing costs the College expects to retain its ESFA financial health score within the "Good" classification through 2022/23 and is continues to consider the impact of ongoing market uncertainty (particularly in relation to energy prices) for the period from 2023/24 and beyond and considers that the Colleges financial position can be maintained at an acceptable level. For this reason, it continues to adopt the going concern basis in preparing the Financial Statements.

Post Balance Sheet Events

On 29th November 2022 Government announced that Further Education Corporations were to be reclassified as public sector bodies with immediate effect. This has a range of consequences linking to a Corporation's ability to make certain decisions without prior approval from the Department for Education. The College considers this announcement to be a non-adjusting post balance sheet event and is evaluating the implications of the announcement and the potential new rules but do not consider that they will have an impact on these financial statements.

A further key consequence is that the decision requires Further Education Corporation's and their subsidiary companies to comply with the provisions of HM treasury's "Managing Public Money" guidance. In complying with this guidance Colleges no longer have the freedom to access new finance from commercial lenders, either to support working capital or to invest in capital projects.

Middlesbrough College currently has a cash surplus and no immediate requirement for working capital finance. However, the future planned investment in the relocation of its TTE engineering centre relies on the College's ability to draw down up to £5m of commercial borrowings. The position with regard to the College's ability to replace this lost finance is unclear and viability/deliverability of the project is currently uncertain pending further guidance and consultation with DfE with regard to the College's options.

PRINCIPAL RISKS AND UNCERTAINTIES

The College has well developed strategies for managing risk and strives to embed risk management in all that it does. The College's risk management processes are designed to protect its assets, reputation and financial stability. The College compiles its risk register, based on perceived risks to achievement of its Strategic Plan, and uses the risk register to monitor and address key risks.

The College's risk register is broken down into strategic risks, departmental risks and provision type risks. The College's financial risks are documented and monitored through this process. There is also a separate Health and Safety Risk Register which feeds into the overarching College Strategic Risk Register.

The Risk Register is considered by the College's Risk Management Group, the Senior Leadership Team and Audit & Risk Committee to the Governing Body. All risks that are considered to be both likely and which would have a serious effect on the College are classified as high-level risks plus any new strategic risks are reviewed and endorsed by the Senior Leadership Team to ensure they accurately reflect all significant risks to the College.

The College also has in place a business continuity plan which is reviewed annually. Disaster recovery scenario training has been undertaken by key staff.

Outlined below is a description of the principal risks that may affect the College. This list is not comprehensive and not all of the factors are within the College's control.

Risk Event

- Global event / war/ pandemic affects our ability to operate and government ability to fund training.
- Failure to meet budget strategy and maintain at least "Good" financial health.
- Failure to recruit and retain good staff and deliver workforce development plan.
- Failure to adequately safeguard all learners and meet Prevent Duty.
- Inability to meet an overall Ofsted Grade 2 outcome.
- Inability to influence external stakeholders and poor external reputation.
- Failure to provide a structure of support to students in line with College policies and EIF.
- Failure to invest in Capital IT infrastructure and implement disaster recovery process and ensure Business Continuity is in place.
- Failure to provide an environment that conforms to relevant health and safety regulations.
- Failure to ensure compliance with legal, regulation, statutory and governance requirements.
- Impact of the reclassification of FE Colleges into the public sector
- Impact of the cost-of-living crisis on the circumstances of our students their health and wellbeing

Key risks are mitigated in the following ways:

- Investment in staff and their development.
- Rigorous quality procedures are embedded throughout the College;
- Planned and managed implementation of growth, investment and marketing strategies;
- Implementation and monitoring of operational delivery plans;
- Focusing on maintaining and managing key relationships with funding bodies and customers maintaining regular dialogue with the ESFA and LEP / Local Combined Authority;
- Careful monitoring and awareness of policy changes and implementing nimble responses; work undertaken to ensure readiness for T-Level implementation; and
- Ensuring the College focuses its delivery in priority areas.
- Regular engagement with stakeholders and policy makers.

Risks in relation to the reclassification of the sector and the cost-of-living crisis have recently been added and are being monitored closely

Payment performance

The Late Payment of Commercial Debts (Interest) Act 1998, which came into force on 1 November 1998, requires colleges, in the absence of agreement to the contrary, to make payments to suppliers within 30 days of either the provision of goods or services or the date on which the invoice was received. The target set by the Treasury for payment to suppliers within 30 days is 95 per cent. During the accounting period 1 August 2021 to 31 July 2022 the College paid all invoices within 30 days unless there was a query with the supplier account or the invoice itself and is therefore confident that the College complies with this target.

Equal Opportunities

Middlesbrough College is committed to providing an environment in which there is equality of opportunity for all members of its community and our commitment for equality, diversity and inclusion ensures that all who learn and work at Middlesbrough College, and potential applicants to the College, are treated fairly and valued for their talents and ability, in all aspects of its activities as an employer and provider of education and training.

Middlesbrough College has in place a Single Equality Scheme and Action Plan that is linked to the College Strategic Plan and its Mission Statement and is informed by the Equality Act 2010 and associated legislation.

The College's Equality Policy and Statement is published on the College's website and is available on request in a range of alternative formats. The linked Action Plan is updated and presented to the College Governing Body and College Senior Leadership Team termly.

Disability Statement

Middlesbrough College is committed to providing an environment in which there is equality of opportunity for all members of its community and visitors. Our commitment for equality, diversity and inclusion ensures that all who learn and work at the College are treated fairly in response to the Equality Act 2010. It also aims to promote all other strands of equality and human rights. The Disability Statement is available online.

Middlesbrough College recognises that everyone's needs are unique and will work with students to identify any barriers that exist and make every effort to remove them. The College welcomes applications from students with learning difficulties or disabilities or additional support needs and the College aims to provide the appropriate resources, facilities and services to enable students to be successful in their chosen programme of study. The expertise of our staff enables us to provide excellent help and guidance to all prospective students.

Middlesbrough College proudly promotes itself as an equal opportunities employer and acknowledges the diverse needs of its employees and the community it serves. The College holds Disability Confident Leadership status. The College values diversity and inclusion by adopting a positive and proactive approach to support employees and future job applicants with disabilities or known health issues and promotes the Disability Confident Scheme in our supply chain.

Trade union facility time

The Trade Union (Facility Time Publication Requirements) Regulations 2017 require the College to publish information on facility time arrangements for trade union officials at the College. The information for 2021 / 2022 is set out below:

Numbers of employees who were relevant union officials during the period	4
FTE employee number	2.97

Percentage of time	Number of employees
0%	0
1-50%	4
51-99%	0
100%	0

Total cost of facility time	£17,309
Total pay bill	£31,791,768
Percentage of total bill spent on facility time	0.05%

Time spent on paid trade union activities as a percentage of total paid facility time	100%
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Human Trafficking Statement

The College, as part of the Further Education Sector, recognises it has a responsibility to take a robust approach to slavery and human trafficking under The Modern Slavery Act 2015 (Transparency in Supply Chains) Regulations 2015.

The College is absolutely committed to preventing slavery and human trafficking in its corporate activities and to ensuring that its supply chains are free from slavery and human trafficking.

The College's Slavery and Human Trafficking statement was approved by the Governing Body on 17 October 2022 and is available on the College website at: www.mbro.ac.uk within the Governor's website; policies and procedures.

Disclosure of Information to Auditor

The members who held office at the date of approval of this report confirm that, so far as they are each aware, there is no relevant audit information of which the College's auditor is unaware; and each member has taken all the steps that he or she ought to have taken to be aware of any relevant audit information and to establish that the College's auditor is aware of that information.

Approved by order of the members of the Corporation on 15 December 2022 and signed on its behalf by:



Mr Robert Davies
Chairman of Governors
15 December 2022

Statement of Corporate Governance and Internal Control

The following statement is provided to enable readers of the annual report and accounts of the College to obtain a better understanding of its governance and legal structure.

This statement covers the period from 1 August 2021 to 31 July 2022 and up to the date of approval of the annual report and Financial Statements on the 15 December 2022.

Middlesbrough College endeavours to conduct its business:

1. In accordance with the seven principles identified by the Committee on Standards in Public Life:
 - Selflessness
 - Integrity
 - Objectivity
 - Accountability
 - Openness
 - Honesty
 - Leadership.
2. In full accordance with the guidance to colleges from the Association of Colleges in The Code of Good Governance for English Colleges (“the Code”).
3. Having due regard to the UK Corporate Governance Code (“the Code”) insofar as it is applicable to the Further Education Sector.

The College is committed to exhibiting best practice in all aspects of corporate governance and, in particular, the College has adopted and complied with the Code of Governance. The College has not adopted and therefore does not apply the UK Corporate Governance Code. However, the College has reported on its Corporate Governance arrangements by drawing upon best practice available, including those aspects of the UK Corporate Governance Code it considers to be relevant to the further education sector and best practice.

In the opinion of the Governing Body, the College complies with the provisions of the Code of Governance and reported on a “comply or explain” basis to the Search and Governance Committee at its meeting on the 26 September 2022 and confirmed at the Governing Body meeting of 17 October 2021 for the period 1 August 2021 to 31 July 2022.

The Governing Body recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times. In carrying out its responsibilities, it takes full account of The Code of Good Governance for English Colleges originally issued by the Association of Colleges in March 2015, which the College formally adopted on 15 October 2015. The subsequent update of May 2019 was adopted by the College on 19 July 2019 and a further update adopted by the Governing Body on 21 March 2022.

The College is an Exempt Charity within the meaning of Part 3 of the Charities Act 2011. The Governors, who are also the Trustees for the purposes of the Charities Act 2011, confirm that they have had due regard for the Charity Commission’s guidance on public benefit, and that the required statements appear elsewhere in these Financial Statements.

The College has a Public Value Statement and is published in the updated mid-term 2020-2023 Strategic Plan.

Middlesbrough College is committed to adding value to the social, economic and physical well-being of the local community it serves. We are committed to raising aspiration, increasing opportunity and providing a foundation for sustainable economic growth and prosperity.

Central to our responsibility is our work with partner organisations and our obligation to enrich the social, cultural, economic and physical well-being of our whole community.

In practice, this means we are ready, willing and able to respond to the needs of our community whatever and wherever they may be.

In making this commitment we may be challenged to work in new ways and, at times, our own capability or capacity may be tested.

We are nevertheless determined to devote ourselves to, and measure ourselves against, this endeavour.

Governors serving on the Governing Body during 2021/2022 and up to 15 December 2022.

Governors appointed in 2021/2022 and up to 15 December 2022 have been highlighted (shaded) where appropriate.

* denotes date of re-appointment.

** denotes Chair of Committee.

Name	Date of appointment	Term of Office	Date of resignation	Status of appointment	Committees Served	Attendance (1 August 2021 to 31 July 2022)
Rachel Anderson	21 March 2019	20 March 2023	-	College Governor	Audit & Risk	82%
Heather Ashton	21 March 2019	20 March 2023	-	College Governor	Corporate Services. Remuneration (**) Search and Governance	57%
Jane Castor	26 September 2022	26 September 2026		College Governor	Corporate Services	N/A
Ashley Coleman-Cooke (Vice Chair of Governors 1 August 2021 to 31 July 2022))	29 March 2017 (2 nd term of office)	28 March 2021 Further extended term to 31 July 2022	-	College Governor	Appeals (Senior Postholders). Audit & Risk. Remuneration. Search & Governance. Selection (Senior Posts). Settlement. Special (**). Curriculum & Standards (** till March 22).	89%
Carol Cooney	20 May 2017 (2 nd term of office)	19 May 2025	14 October 2021	College Governor	Curriculum & Standards.	100%
Robert Davies (Chair of Governors 1 August 2021 to 15 December 2022)	31 July 2017 (2 nd term of office) *Further extended term of office 31 July 2021	30 July 2021 Further extended term ends 31 July 2023 Further extended term ends 31 July 2025 (or sooner)		College Governor	Corporate Services Remuneration. Search & Governance (**). Selection (Senior Posts) (**). Settlement (**)	100%

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Mark Ellis	15 July 2021	14 July 2025	14.09.2022	Staff Governor	Corporate Services	91%
Marina Gaze	1 November 2019 (2 nd term of office)	31 October 2023	-	College Governor	Curriculum and Standards.	64%
Jean Golightly	16 October 2017	15 October 2021	Term of office ended 15 October 2021	College Governor (until end of first term of office)	Curriculum and Standards	0%
Lee Holdsworth	16 October 2017	15 October 2021	Term of office ended 15 October 2021	College Governor until 15 October 2021 then became an External Member	Audit & Risk.	0% (in CG role)
Malcolm King	15 December 2022	14 December 2024		College Governor	Audit and Risk	N/A
Edward Kunonga	16 December 2021	15 December 2025		College Governor	N/A	83%
Michael Laidler	15 July 2019	14 July 2023		College Governor	Curriculum and Standards	64%
Mathew Lamb	1 August 2022	31 July 2026		College Governor	Corporate Services	N/A
Sharon Lane	18 October 2022 (2 nd Term of Office)	17 October 2026		College Governor	Curriculum and Standards	42%
Patrick Lenihan	18 October 2021	31 July 2023		Student Governor	N/A	33%
Zoe Lewis	26 September 2013	-	-	Principal / Chief Executive (Accounting Officer)	Corporate Services. Search & Governance. Selection (Senior Posts). Curriculum and Standards.	100%
Dominic Lusardi	16 December 2021	15 December 2025		College Governor	Corporate Services	100%
Petrina Lynn (Vice Chair 1 August 22 – 15 Dec 22)	22 March 2021	21 March 2025		College Governor	Curriculum and Standards (** from March 22) Search and Governance	100%
Morgan McClintock	19 October 2020	18 October 2024		College Governor	Curriculum and Standards (until 31.07.22) Search and Governance Audit & Risk (from 1.08.2022)	93%
Sara Mirsalehi	15 July 2019	14 July 2023		College Governor	Corporate Services Remuneration from 2022	50%
Shannon Mudd	17 December 2020	31 July 2022		Student Governor	N/A	43%

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Aga Pajura-Jaszczak	17 October 2022	16 October 2026		Staff Governor	Corporate Services	N/A
Emma Rennison	16 December 2021	15 December 2025	Moved to EM as of 17 October 2022	College Governor	Curriculum and Standards	50%
Phil Sharp	23 March 2020	22 March 2024		College Governor	Corporate Services	90%
Daniel Still	17 October 2019	16 October 2023		Staff Governor (Academic)	Curriculum and Standards	100%
Peter Studd	9 July 2018 (2 nd term of office)	11 July 2023	-	College Governor	Corporate Services (**). Search and Governance Special. Appeals (Senior Postholders)(**)	85%
John Tait	26 September 2022	25 September 2026		College Governor	Curriculum and Standards	N/A
Ana Thompson	16 December 2019	31 July 2021		Student Governor	N/A	N/A
David Wade	16 December 2019	15 December 2023	19 April 2021	Staff Governor (Business Support)	Corporate Services	N/A
Iain Wright	14 December 2017	13 December 2021	-	College Governor	Audit & Risk (**) Remuneration	67%

Overall Attendance 2021/2022 (excluding External Members)

	Attendance Rate (Percentage)
Overall Attendance	77%

Governing Body Attendance 2021/2022 (excluding External Members)

	Attendance Rate (Percentage)
Governing Body	72%

Committee Attendance 2021/2022 (excluding External Members)

	Attendance Rate (Percentage)
Audit & Risk	85%
Corporate Services	87%
Remuneration	100%

Search & Governance	81%
Curriculum and Standards	77%

External Members Attendance 2021/2022

Name of External Member	Attendance Rate (Percentage) For both Committee and GB Strategic Sessions	Attendance Rate (Percentage) for Committee
Mr John Autherson (Appointed 1 January 2018) Resigned 18 September 2021	100%	100%
Mr Stephen Brown (Appointed 16 December 2021)	100%	100%
Ms C Cannon (Appointed 22 March 2021)	43%	25%
Mr Ashley Coleman Cooke (Appointed 15 December 2022)	N/A	N/A
Mr S Green (Re-appointed 16 October 2021)	57%	100%
Mr A Hanif (Re-appointed 6 July 2021)	0%	Not applicable
Mr Lee Holdsworth (Appointed 18 October 2021)	50%	75%
Ms Emma Rennison (Appointed 17 October 2022)	N/A	N/A
Mr James Robson((Appointed 16 December 2021) Resigned 15 July 2022	25%	50%
Miss S Shepherd (Re-appointed 1 August 2021)	50%	33%
Mr A Stephenson (Re-appointed 12 July 2019)	43%	50%
Mr S Wilson (Re-appointed 19 May 2019)	50%	100%
Total	52%	70%

It is the Governing Body's responsibility to bring independent judgement to bear on issues of strategy, performance, resources and standards of conduct.

The Governing Body is provided with regular and timely information on the overall financial performance of the College, together with other information such as performance against funding targets, proposed capital expenditure, quality matters and personnel related matters, such as health and safety and environmental issues.

The professional expertise of the Governing Body in terms of financial management and control and associated skills are considered to be strong amongst its current membership.

The Governing Body meets at least termly. The Governing Body conducts its business through a number of committees. Each Committee has Terms of Reference, which have been approved by the Governing Body.

The last annual review took place in September 2021 and was approved on 18 October 2021. The latest version of the Committee Structure is available on the Governors' Website.

The Committee Structure as of the 31 July 2022 is:

- Appeals (*Senior Post-holders*).
- Audit & Risk.
- Corporate Services.
- Curriculum and Standards.
- Remuneration.
- Search & Governance.
- Selection (*Senior Posts*).
- Settlement.
- Special.

The HE Committee was added to the structure as of 17 October 2022.

The Governing Body has also appointed a number of External Members to serve on a number of committees, as detailed below, and is correct as at 15 December 2022.

External Member	Name of Committee(s) Served
Caroline Cannon	Curriculum and Standards Committee (Appointed 22 March 2021 for a period of one year initially to 21 March 2022, extended a further two years to 21 March 2024)
Ashley Coleman Cooke	Audit and Risk Committee (Appointed 15 December 2022 for a period of four years to 14 December 2026)
Stuart Green	Audit & Risk Committee (Appointed 16 October 2017 for a period of four years to 15 October 2021) (Re-appointed 16 October 2021 for a Final Term of Office for a period of four years to 15 October 2025)
Aslam Hanif	Equality & Diversity Committee (Appointed from the 6 July 2017 for a period of four years to 5 July 2021) (Re-appointed 6 July 2021 for a Final Term of Office for a period of four years to 5 July 2025)
Emma Rennison	Curriculum and Standards (Appointed from 17 October 2022 for a period of four years to 16 October 2026)
Sarah Shepherd	Search & Governance Committee (Appointed from the 1 August 2016 for a period of four years to 31 July 2020) (Re-appointed for a Final Term of Office from 1 August 2020 to 31 July 2024)
Andrew Stephenson	Curriculum and Standards Committee (Appointed from 13 July 2015 for a period of four years to 12 July 2019) (Re-appointed for a Final Term of Office from 13 July 2019 to 12 July 2023)
Sandy Wilson	Corporate Services Committee (Appointed from 20 May 2017 for a period of two years to 19 May 2019) (Re-Appointed for a Final Term of Office from 20 May 2019 to 19 May 2023)

Full minutes of all meetings, except those deemed to be confidential by the Governing Body, are available from:

Zeta Foster
Head of Governance/Clerk to the Corporation
Middlesbrough College
Dock Street
Middlesbrough
TS2 1AD
z.foster@mbro.ac.uk

The Head of Governance/Clerk to the Corporation maintains a register of financial and personal interests (*Register of Interests*) of the Governors; this is available for inspection at the above address and is updated on an annual basis.

All Governors are able to take independent professional advice in furtherance of their duties at the College's expense and have access to the Head of Governance/Clerk to the Corporation, who is responsible to the Governing Body for ensuring that all applicable procedures and regulations are complied with. The appointment, evaluation and removal of the Head of Governance/Clerk to the Corporation are matters for the Governing Body as a whole.

Formal agendas, papers and reports are supplied to Governors in a timely manner prior to Governing Body meetings. Briefings are also provided on an ad hoc basis.

The Governing Body has a strong and independent non-executive element, and no individual or group dominates its decision making process. The Governing Body considers that each of its non-executive members is independent of management and free from any business or other relationship that could materially interfere with the exercise of their independent judgement.

There is a clear division of responsibility in that the roles of the Chairman of Governors and the Principal / Chief Executive (*Accounting Officer*) are separate.

Governance Self-Assessment

For 2021/2022 the Governing Body self-assessed itself as a Grade 2, with the Governance Self-Assessment Report being approved on the 15 December 2022. This document highlighted a number of strengths and areas for improvement and followed the publication of the College's Ofsted Inspection Report in October 2018.

Copies of both documents are available from the Clerk to the Corporation.

External Review

The DfE Guidance on the new requirement for External Reviews stipulates that an external review must take place by July 2024 at the latest and every three years thereafter.

As approved by the Governing Body on 14 July 2022, an External Governance Review has been commissioned for completion by the AoC between 9 January 2023 and 28 April 2023.

Governing Body and Head of Governance Training

Governors' training over 2021-22 has been both individual (in college and externally usually through the AoC or ETF) and collective depending upon need. Collective training is scheduled annually in February of each year and includes safeguarding training, sector updates and Governing Body training resulting from the annual individual meetings with Chair/Vice Chair and each governor. In February 2021 this concentrated on understanding Ofsted judgements, Personal Development, Behaviour and Attitudes, Performance Dashboards, Student Destination data and an update on the new Teaching and Learning strategy implementation. Additionally, in September 2022, a sector update was provided to the Governing Body from the AoC's Deputy CEO - Julian Gravatt and an update on local strategic priorities from TVCA and NE

Chamber of Commerce in relation to the LSIP Local Skills Trailblazer project. The Governing Body also signed up to the ETF's Governance Development Programme which is in place for all governors until September 2023.

The Head of Governance took part in regular development activities throughout 2021-22 to ensure continued relevant support to the Governing Body (including AoC training specific for Governance Professionals September 2021-January 2022 and Governance Professional Conference in January 2022) and this was reported to the Remuneration Committee in detail in December 2022. The Remuneration Committee also approved support for the Head of Governance to engage in new sector specific governance qualifications (Level 5-7) from the ETF/IoT available from Spring 2023.

Appointments to the Governing Body

Any new appointments to the Governing Body are a matter for the consideration of the Governing Body as a whole, following advice from the Search & Governance Committee in terms of the appointment/re-appointment of College Governors and External Members, with a Term of Office not exceeding four years from its last expiry date. The Governing Body is also responsible for ensuring that appropriate training is provided as required, and this is co-ordinated by the Head of Governance/Clerk to the Corporation and reported direct to the Search & Governance Committee on a termly basis. The Governing Body has also adopted an appointment process in line with the AoC's Code of Governance of College, i.e. College Governors and External Members normally having a maximum of two terms of four years. However, the Governing Body has reserved the right to extend to a third term if there are mitigating circumstances and these are agreed by the Search & Governance Committee and Governing Body.

Search & Governance Committee

The Search & Governance Committee comprises seven members of the Governing Body and one External Member as at the 31 July 2022, and they are responsible for the selection and nomination of any new member for the Governing Body's consideration.

Remuneration Committee

The Remuneration Committee comprises five members of the Governing Body as at 31 July 2022, and its main responsibility is to make recommendations to the Governing Body on the remuneration and benefits of the Principal/Chief Executive (*Accounting Officer*), Senior Postholders (if applicable) and the Head of Governance/Clerk to the Corporation. It is also responsible for producing an annual report on the business of the Committee, to comply with the AoC Code of Good Governance, Annex 1 (The Colleges' Senior Post Holder Remuneration Code).

The Principal/Chief Executive (*Accounting Officer*) is a Senior Postholder.

There are no other Senior Postholders as at the 31 July 2022.

The Head of Governance/Clerk to the Corporation is not a designated Senior Postholder.

Details of remuneration for the year ended 31 July 2022 are set out in note 7 of the 2021/2022 Financial Statements.

Audit & Risk Committee

The Audit & Risk Committee comprises three members of the Governing Body (excluding the Principal/Chief Executive (*Accounting Officer*) and Chair of Governors) and two External Members as at the 31 July 2022. As of 15 December 2022 the Committee comprises of four members of the Governing Body and two External Members.

The Audit & Risk Committee operates in accordance with written Terms of Reference approved by the Governing Body and advises the Governing Body on the adequacy and effectiveness of the College's system of Internal Control and its arrangements for risk management, control and governance processes.

The Audit & Risk Committee normally meets four times a year and provides a forum for reporting by the College's Internal, Regularity and Financial Statements Auditors, who have access to the Audit & Risk Committee for independent discussion, without the presence of College management. The Audit & Risk Committee also receives and considers reports from the main Further Education funding bodies as they affect the College's business.

The College's Internal Auditors review the systems of internal control, risk management controls and governance processes, in accordance with an agreed plan of input and report their findings to management and the Audit & Risk Committee.

Management is responsible for the implementation of agreed audit recommendations, and the Internal Auditor undertakes periodic follow-up reviews to ensure such recommendations have been implemented.

The Audit & Risk Committee also advises the Governing Body on the appointment of Internal Auditors and the Regularity & Financial Statements Auditors, and their remuneration for both audit and non-audit work, as well as reporting annually to the Governing Body.

Other Committees

As detailed earlier, the Governing Body has a number of active committees, and the minutes of certain committees, including Audit & Risk, Corporate Services, Curriculum and Standards, Higher Education and Search & Governance are all posted on the Governors Website.

Copies of the minutes can be obtained from the Head of Governance/Clerk to the Corporation.

Internal control

Scope of Responsibility

The Governing Body is ultimately responsible for the College's system of internal control and for reviewing its effectiveness. However, such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can provide only reasonable and not absolute assurance against material misstatement or loss.

The Governing Body has delegated the day-to-day responsibility to the Principal / Chief Executive as Accounting Officer, for maintaining a sound system of internal control that supports the achievement of the College's policies, aims and objectives, whilst safeguarding the public funds and assets for which she is personally responsible, in accordance with the responsibilities assigned to her in the Financial Memorandum / Financial Agreement between Middlesbrough College and the Funding Bodies.

The Principal / Chief Executive (*Accounting Officer*) is also responsible for reporting to the Governing Body any material weaknesses or breakdowns in internal control.

The Purpose of the System of Internal Control

The system of Internal Control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives. It can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of College policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised and to manage them efficiently, effectively and economically. The system of Internal Control has been in place in Middlesbrough College for the year ended 31 July 2022 and up to the date of approval of the 2021/2022 Financial Statements.

Capacity to Handle Risk

The Governing Body has reviewed the key risks to which the College is exposed, together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Governing Body is of the view that there is a formal on-going process for identifying, evaluating and managing the College's

significant risks that has been in place for the period ending 31 July 2022 and up to the date of approval of the 2021/2022 Financial Statements. This process is regularly reviewed by the Governing Body.

The Risk and Control Framework

The system of Internal Control is based on a framework of regular management information, and administrative procedures including the segregation of duties, and a system of delegation and accountability. In particular, it includes:

- Comprehensive budgeting systems with an annual budget, which is reviewed and agreed by the Governing Body.
- Regular reviews by the Governing Body of periodic and annual financial reports, which indicate financial performance against forecasts.
- Setting targets to measure financial and other performance.
- Clearly defined capital investment control guidelines.
- Adoption of formal project management disciplines, where appropriate.

Middlesbrough College has an Internal Audit Service (*RSM Risk Assurance Services*), which operates in accordance with the requirements of the Education & Skills Funding Agency's Post 16 Audit Code of Practice, which was shared with the Audit & Risk Committee on the 8 July 2022.

The work of the Internal Audit Service is informed by an analysis of the risks to which the College is exposed, and annual Internal Audit plans are based on this analysis. The analysis of risks and the Internal Audit Plans are endorsed by the Governing Body on the recommendation of the Audit & Risk Committee.

Annually, the Head of Internal Audit (HIA) provides the Audit & Risk Committee and the Governing Body with a report on Internal Audit activity in the College. The report includes the Head of Internal Audit's Independent Opinion on the adequacy and effectiveness of the College's system of risk management, controls and governance processes.

Delivery of the internal audit plan

100% of the internal audit plan for 2021-2022 was delivered.

Review of Effectiveness

As Accounting Officer, the Principal / Chief Executive has responsibility for reviewing the effectiveness of the system of internal control, and this review of the effectiveness of the system of Internal Control is informed by:

- The work of the Internal Auditors (*RSM Risk Assurance Services*).
- The work of the executive managers within the College who have responsibility for the development and maintenance of the Internal Control Framework.
- Comments made by the College's Financial Statements Auditor (*Mazars*), Regularity Auditor (*Mazars*) and the Funding Auditor (if appointed) in their Management Letters and other reports.

The Principal / Chief Executive (*Accounting Officer*) has been advised on the implications of the result of her review of the effectiveness of the system of internal control by the Audit & Risk Committee, which oversees the work of the Internal Auditor and Risk Management Group and a plan to address weaknesses and ensure continual improvement of the system is in place.

The Senior Leadership Team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within the departments and reinforced by risk awareness training.

The Senior Leadership Team and the Audit & Risk Committee also receive regular reports from Internal Audit and other sources of assurance, which include recommendations for improvement. The Audit & Risk Committee's role in this area is confined to a high-level review of the arrangements for Internal Control.

The Governing Body's agenda includes a regular item for consideration of risk and control and receives reports thereon from the Senior Leadership Team and the Audit & Risk Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its 15 December 2022 meeting, the Governing Body carried out the annual assessment for the year ended 31 July 2022 by considering documentation from the Senior Leadership Team and Internal Audit and taking account of events since 31 July 2022.

Based on the advice of the Audit & Risk Committee and the Principal / Chief Executive (*Accounting Officer*), the Governing Body is of the opinion that the College has an adequate and effective framework for governance, risk management and control, and has fulfilled its statutory responsibility for *“the effective and efficient use of resources, the solvency of the institution and the body and the safeguarding of their assets”*.

Approved by order of the members of the Governing Body on 15 December 2022 and signed on its behalf by:



Mr Robert Andrew Davies
Chairman of Governors
15 December 2022



Mrs Zoe Lewis
Principal / Chief Executive (*Accounting Officer*)
15 December 2022

Statement of Regularity, Propriety and Compliance

The Governing Body has considered its responsibility to notify the Education & Skills Funding Agency (ESFA) of material irregularity, impropriety and non-compliance with Terms and Conditions of funding, under the Corporation's grant funding agreements and contracts with the ESFA.

As part of our consideration the Governing Body has had due regard to the requirements of the grant funding agreements and contracts with the ESFA.

We confirm, on behalf of the Governing Body, that after due enquiry, and to the best of our knowledge, we are able to identify any material irregular or improper use of funds by the College or material non-compliance with the Terms and Conditions of funding under the Corporation's grant funding agreements and contracts with the ESFA, or any other public funder.

We confirm that no instances of material irregularity, impropriety or funding non-compliance have been discovered to date. If any instances are identified after the date of this statement, these will be notified to the ESFA.



Mr Robert Andrew Davies
Chairman of Governors
15 December 2022



Mrs Zoe Lewis
Principal / Chief Executive (*Accounting Officer*)
15 December 2022

Statement of Responsibilities of the Members of the Corporation

The members of the Corporation are required to present audited financial statements for each financial year. Within the terms and conditions of the College's Financial Memorandum with the ESFA, the Corporation, through its Accounting Officer, is required to prepare financial statements and an operating financial review for each financial year in accordance with the *Statement of Recommended Practice – Accounting for Further and Higher Education*, *ESFA's College Accounts Direction* and the *UK's Generally Accepted Accounting Practice*, and which give a true and fair view of the state of affairs of the group and the parent College and its surplus / deficit of income over expenditure for that period.

In preparing the group and parent College financial statements, the Corporation is required to:

- select suitable accounting policies and apply them consistently
- make judgements and estimates that are reasonable and prudent
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements
- assess whether the group and parent College's is a going concern, noting the key supporting assumptions, qualifications or mitigating actions as appropriate; and
- prepare financial statements on the going concern basis, unless it is inappropriate to assume that the College will continue in operation.

The Corporation is also required to prepare a Members' Report which describes what it is trying to do and how it is going about it, including information about the legal and administrative status of the College.

The Corporation is responsible for keeping proper accounting records which disclose with reasonable accuracy, at any time, the financial position of the parent College, and which enable it to ensure that the financial statements are prepared in accordance with relevant legislation including the Further and Higher Education Act 1992 and Charities Act 2011, and relevant accounting standards. It is responsible for taking steps that are reasonably open to it to safeguard its assets and to prevent and detect fraud and other irregularities.

The corporation is responsible for the maintenance and integrity of its website; the work carried out by the auditors does not involve consideration of these matters and, accordingly the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Members of the Corporation are responsible for ensuring that expenditure and income are applied for the purposes intended by Parliament and that the financial transactions conform to the authorities that govern them. In addition, they are responsible for ensuring that funds from the ESFA and any other public funds are used only in accordance with the ESFA's grant funding agreements and contracts and any other conditions that may be prescribed from time to time by the ESFA or any other public funder. Members of the Corporation must ensure that there are appropriate financial and management controls in place in order to safeguard public and other funds and to ensure they are used properly. In addition, members of the Corporation are responsible for securing economical, efficient and effective management of the Corporation's resources and expenditure, so that the benefits that should be derived from the application of public funds from the ESFA and other public bodies are not put at risk.

Approved by order of the members of the Corporation on 15 December 2022 and signed on its behalf by:



Mr Robert Andrew Davies
Chairman of Governors
15 December 2022

Independent auditor's report to the Corporation of Middlesbrough College

Opinion

We have audited the financial statements of Middlesbrough College (the 'College') and its subsidiaries (the 'Group') for the year ended 31 July 2022 which comprise the Group and College Statement of Comprehensive Income and Expenditure, the Group and College Statement of Changes in Reserves, the Group and College Balance Sheet, the Group Statement of Cashflows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice) and the 2019 Statement of Recommended Practice: Accounting for Further and Higher Education.

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and College's affairs as at 31 July 2022 and of the Group's and College's surplus of income over expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and the College in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Members of the Corporation's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and College's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Members of the Corporation with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Corporation is responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Post 16 Audit Code of Practice issued by the Education and Skills Funding Agency requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- the information given in the report of the Members of the Corporation, including the operating and financial review and statement of corporate governance, is inconsistent with the financial statements; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of the Corporation

As explained more fully in the Statement of Responsibilities of the Members of the Corporation set out on page 28, the Corporation is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Corporation determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Corporation is responsible for assessing the Group's and College's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Corporation either intend to liquidate the Group or the College or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

Based on our understanding of the Group and the College and their industry, we considered that non-compliance with the following laws and regulations might have a material effect on the financial statements: compliance with the ESFA funding agreements, the OfS regulatory framework, the OFSTED regulatory framework, safeguarding, pensions legislation, employment regulation and health and safety regulation, anti-bribery, corruption and fraud, money laundering.

To help us identify instances of non-compliance with these laws and regulations, and in identifying and assessing the risks of material misstatement in respect of non-compliance, our procedures included, but were not limited to:

- Inquiring of management and, where appropriate, those charged with governance, as to whether the Group and the College is in compliance with laws and regulations, and discussing their policies and procedures regarding compliance with laws and regulations;
- Inspecting correspondence, if any, with relevant licensing or regulatory authorities;
- Communicating identified laws and regulations to the engagement team and remaining alert to any indications of non-compliance throughout our audit; and
- Considering the risk of acts by the Group and the College which were contrary to applicable laws and regulations, including fraud.

We also considered those laws and regulations that have a direct effect on the preparation of the financial statements, such as tax legislation, pension legislation.

In addition, we evaluated the Members of the Corporation and management's incentives and opportunities for fraudulent manipulation of the financial statements, including the risk of management override of controls, and determined that the principal risks related posting manual journal entries to manipulate financial performance, management bias through

judgements and assumptions in significant accounting estimates, in particular in relation to, revenue recognition (which we pinpointed to the cut off assertion), and significant one-off or unusual transactions.

Our audit procedures in relation to fraud included but were not limited to:

- Making enquiries of the Members of the Corporation and management on whether they had knowledge of any actual, suspected or alleged fraud;
- Gaining an understanding of the internal controls established to mitigate risks related to fraud;
- Discussing amongst the engagement team the risks of fraud; and
- Addressing the risks of fraud through management override of controls by performing journal entry testing.

There are inherent limitations in the audit procedures described above and the primary responsibility for the prevention and detection of irregularities including fraud rests with management. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Other required reporting

Opinion on other matters prescribed in the OfS Audit Code of Practice issued under the Further and Higher Education Act 1992

In our opinion, in all material respects:

- funds provided by the OfS and UK Research and Innovation (including Research England) have been applied in accordance with the relevant terms and conditions attached to them; and
- the requirements of OfS's accounts direction have been met.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the OfS Audit Code of Practice requires us to report to you if, in our opinion:

- the provider's grant and fee income, as disclosed in the notes to the financial statements, has been materially misstated; or
- the provider's expenditure on access and participation activities, as disclosed in the financial statements, has been materially misstated.

Use of the audit report

This report is made solely to the Corporation as a body in accordance with Article 22 of the College's Articles of Government. Our audit work has been undertaken so that we might state to the Corporation those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Group and the College and the Corporation as a body for our audit work, for this report, or for the opinions we have formed.


Mazars LLP (Dec 16, 2022 15:52 GMT)

Mazars LLP, Chartered Accountants and Statutory Auditor

The Corner
Bank Chambers
26 Mosley Street
Newcastle upon Tyne
NE1 1DF

16 December 2022

The corporation of Middlesbrough College and Secretary of State for Education acting through Education and Skills Funding Agency (“ESFA”)

In accordance with the terms of our engagement letter dated 24 June 2022 and further to the requirements and conditions of funding in the ESFA's grant funding agreements and contracts, or those of any other public funder, we have carried out an engagement to obtain limited assurance about whether anything has come to our attention that would suggest, in all material respects, the expenditure disbursed and income received by Middlesbrough College during the period 1 August 2020 to 31 July 2021 have not been applied to the purposes identified by Parliament and the financial transactions do not conform to the authorities which govern them.

The framework that has been applied is set out in the Post 16 Audit Code of Practice (“the Code”) issued by the ESFA and in any relevant conditions of funding concerning adult education notified by a relevant funder.

This report is made solely to the corporation of Middlesbrough College and ESFA in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to the corporation of Middlesbrough College and the ESFA those matters we are required to state in a report and for no other purpose. To the fullest extent permitted by law, we do not accept, or assume, responsibility to anyone other than the corporation of Middlesbrough College and the ESFA for our work, for this report, or for the conclusion we have formed.

Respective responsibilities of Middlesbrough College and the reporting accountant

The corporation of Middlesbrough College is responsible, under the requirements of the Further & Higher Education Act 1992, subsequent legislation and related regulations and guidance, for ensuring that expenditure disbursed, and income received, are applied for the purposes intended by Parliament, and the financial transactions conform to the authorities that govern them.

Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Code. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received, during the period 1 August 2021 to 31 July 2022 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

Approach

We conducted our engagement in accordance with the Code issued by the ESFA. We performed a limited assurance engagement as defined in that framework.

The objective of a limited assurance engagement is to perform such procedures as to obtain information and explanations in order to provide us with sufficient appropriate evidence to express a negative conclusion on regularity.

A limited assurance engagement is more limited in scope than a reasonable assurance engagement and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, we do not express a positive opinion.

Our engagement includes examination, on a test basis, of evidence relevant to the regularity of the corporation's income and expenditure.

The work undertaken to draw to our conclusion includes:

- Reviewed the statement on the College's regularity, propriety and compliance with Funding body terms and conditions of funding.
- Reviewed the College's completed self-assessment questionnaire on regularity.
- Read the financial memorandum with the ESFA/funding agreement with the ESFA.
- Tested a sample of expenditure disbursed and income received to consider whether they have been applied to purposes intended by Parliament and in accordance with funding agreements where relevant.
- Tested a sample of individual learner records.
- Reviewed approved policies and procedures operating during the year for each funding stream that has specific terms attached.
- Obtained the policy for personal gifts and/or hospitality.

- Obtained the register of personal interests.
- Obtained the financial regulations/financial procedures.
- Obtained the College's whistleblowing policy.

Conclusion

In the course of our work, nothing has come to our attention which suggests that in all material respects, the expenditure disbursed and income received during the period 1 August 2021 to 31 July 2022 has not been applied to purposes intended by Parliament, and the financial transactions do not conform to the authorities that govern them.

Mazars LLP

Mazars LLP (Dec 16, 2022 15:52 GMT)

Mazars LLP
The Corner
Bank Chambers
26 Mosley Street
Newcastle upon Tyne
NE1 1DF

16 December 2022

Consolidated Statements of Comprehensive Income and Expenditure

	Notes	Year ended 31 July 2022		Year ended 31 July 2021 (Restated)	
		Group £'000	College £'000	Group £'000	College £'000
INCOME					
Funding body grants	2	40,424	39,019	37,416	35,995
Tuition fees and education contracts	3	5,717	5,455	6,339	5,712
Other grants and contracts	4	2,584	2,196	2,252	1,530
Other income	5	1,511	1,487	752	742
Investment income	6	10	9	7	7
Total income		50,246	48,166	46,766	43,986
EXPENDITURE					
Staff costs	7	31,598	24,822	28,592	23,139
Restructuring costs	7	194	181	72	71
Other operating expenses	8	15,904	21,513	14,367	17,501
Depreciation & amortisation	10, 13	4,349	4,182	3,406	3,240
Interest and other finance costs	9	747	747	652	652
Total expenditure		52,792	51,445	47,089	44,603
Deficit before other gains and losses		(2,546)	(3,279)	(323)	(617)
Gain / (Loss) on disposal of assets		(2)	(2)	2	-
(Deficit) / surplus before tax		(2,548)	(3,281)	(321)	(617)
(Deficit) / surplus for the year		(2,548)	(3,281)	(321)	(617)
Actuarial gain in respect of pension schemes	23	27,249	27,249	5,325	5,325
Total Comprehensive Income for the year		24,701	23,968	5,004	4,708
Represented by:					
Unrestricted comprehensive income		24,701	23,968	5,004	4,708
		24,701	23,968	5,004	4,708

The Group surplus for the year of £24.701m includes the following:

- an underlying surplus of £0.241m (including the impact of non-recurring restructuring costs of £0.194m); and,
- non-cash adjustments of £24.46m relating to pension accounting (£24.63m) and holiday pay accruals (£0.17m).

The consolidated statement of comprehensive income is in respect of continuing activities.

Consolidated and College Statement of Changes in Reserves

Group	Income and expenditure account £'000
Balance at 1 August 2020	(1,215)
Deficit from the income and expenditure account	(321)
Other comprehensive income	5,325
Total comprehensive income for the year	<u>5,004</u>
Balance at 31 July 2021	<u>3,789</u>
Deficit from the income and expenditure account	(2,548)
Other comprehensive income	27,249
Total comprehensive income for the year	<u>24,701</u>
Balance at 31 July 2022	<u><u>28,490</u></u>
College	
Balance at 1 August 2020	(302)
Deficit from the income and expenditure account	(617)
Other comprehensive income	5,325
Total comprehensive income for the year	<u>4,708</u>
Balance at 31 July 2021	<u>4,406</u>
Deficit from the income and expenditure account	(3,281)
Other comprehensive income	27,249
Total comprehensive income for the year	<u>23,968</u>
Balance at 31 July 2022	<u><u>28,374</u></u>

Balance Sheets as at 31 July 2022

	Notes	Group 2022 £'000	College 2022 £'000	Group 2021 £'000	College 2021 £'000
Non current assets					
Tangible fixed assets	10	80,619	80,395	75,965	75,642
Intangible assets	13	393	-	462	-
Investments	12	-	1,119	-	1,119
		81,012	81,514	76,427	76,761
Current assets					
Stocks		25	21	15	15
Trade and other receivables	14	4,198	3,726	4,061	4,135
Cash and cash equivalents	20	5,248	4,628	6,585	6,344
		9,471	8,375	10,661	10,494
Creditors – amounts falling due within one year	15	(7,636)	(7,158)	(7,628)	(7,178)
Net current assets		1,835	1,217	3,033	3,316
Total assets less current liabilities		82,847	82,731	79,460	80,077
Creditors – amounts falling due after more than one year	16	(48,515)	(48,515)	(44,971)	(44,971)
Provisions					
Defined benefit obligations	19	(3,231)	(3,231)	(27,535)	(27,535)
Other provisions	19	(2,611)	(2,611)	(3,165)	(3,165)
Total net assets		28,490	28,374	3,789	4,406
Unrestricted Reserves					
Income and expenditure account		28,490	28,374	3,789	4,406
Total unrestricted reserves		28,490	28,374	3,789	4,406

The financial statements on pages 36 to 63 were approved by the Corporation on 15 December 2022 and were signed on its behalf on that date by:



Mr Robert Davies
Chairman of Governors



Mrs Zoe Lewis
Principal / Chief Executive (Accounting Officer)

Consolidated Statement of Cash Flows

Group	Notes	2022 £'000	2021 £'000
Cash flow from operating activities			
Surplus / (deficit) for the year		(2,548)	(321)
Adjustment for non-cash items			
Depreciation and amortisation		4,349	3,406
Impairment of assets / Lennartz Asset Movement		(244)	-
Deferred capital grants release		(1,523)	(1,126)
Pensions costs less contributions payable		2,457	2,281
Increase / (decrease) in stocks		(10)	8
Increase / (decrease) in debtors		(137)	1,576
Increase / (decrease) in creditors		(186)	455
Increase / (decrease) in provisions		(604)	(222)
Adjustment for investing or financing activities			
Investment income		(10)	(7)
Interest payable and other finance costs		747	652
(Gain) / loss on sale of fixed assets		2	(2)
Net cash flow from operating activities		<u>2,293</u>	<u>6,700</u>
Cash flows from investing activities			
Capital grants received		5,899	5,572
Proceeds from sale of fixed assets		(2)	2
Interest received		10	7
Payment made to acquire subsidiary investment		-	-
Payments made to acquire fixed assets		(8,691)	(7,919)
		<u>(2,784)</u>	<u>(2,338)</u>
Cash flows from financing activities			
Interest paid		(208)	(194)
New unsecured loans		-	-
Repayments of amounts borrowed		(638)	(638)
		<u>(846)</u>	<u>(832)</u>
(Decrease) / Increase in cash and cash equivalents in the year		<u>(1,337)</u>	<u>3,530</u>
Cash and cash equivalents at beginning of the year		6,585	3,055
Cash and cash equivalents at end of the year (note 20)		5,248	6,585

Notes to the financial statements

1. Statement of Accounting Policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

Basis of preparation

These financial statements have been prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education 2019 (the 2019 FE HE SORP), the College Accounts Direction and in accordance with Financial Reporting Standard 102 – “The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland” (FRS 102). The College is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS 102.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the College's accounting policies.

The College has taken advantage of the exemptions provided in FRS 102 1.12 and the 2019 FE HE SORP 3.3, and has not included a separate statement of its own cash flows. These cash flows are included within the Consolidated Statement of Cash Flows, and the College balance sheet discloses cash at both the current and preceding reporting dates.

Restatement

In the course of preparing these financial statements, a presentational change has been made to the Group and College financial statements to aid consistency and understanding. This is the reclassification of an element of other income to other grants and contracts.

Basis of accounting

The financial statements are prepared in accordance with the historical cost convention.

Basis of consolidation

The consolidated financial statements include the College and its subsidiary undertakings Northern Skills Group Business Services Limited, TTE Technical (UK) Limited, TTE International Limited, TTE Apprenticeships Limited, Middlesbrough College Management Services Limited, Northern Apprenticeship Company Limited and University Centre Middlesbrough Limited, controlled by the Group. Control is achieved where the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Under the purchase method of accounting, the results of subsidiary and associated undertakings acquired or disposed of during the year are included in the consolidated income and expenditure account from or up to the date on which control of the undertaking passes. Intra-group sales and profits are eliminated fully on consolidation. All financial statements are made up to 31 July 2022. In accordance with FRS 102, the activities of the student union have not been consolidated because the college does not control these activities.

Going concern

The activities of the College together with the factors likely to affect its future development and performance are set out in the Report of the Governing Body. The financial position of the College, its cash flow, liquidity and borrowings are described in the financial statements and accompanying notes.

The Governing body considers that the College has adequate resources to continue in operational existence for the foreseeable future and, for this reason will continue to adopt the going concern basis in the preparation of the financial statements.

1. Statement of Accounting Policies (continued)

Revenue grant funding

Government revenue grants include funding body recurrent grants and other grants and are accounted for under the accruals model as permitted by FRS 102. Funding body recurrent grants are recognised in line with best estimates for the period of what is receivable and depend on the particular income stream involved. Any under or over achievement for the Adult Education Budget is adjusted for and reflected in the level of

recurrent grant recognised in the income and expenditure account. The final grant income is normally determined with the conclusion of the year end reconciliation process with the funding body following the year end, and the results of any funding audits. 16-18 year old learner funding is not normally subject to reconciliation and is therefore not subject to contract adjustments.

Income from the provision of Higher Education courses is in partnership with Teesside University, income earned is credited direct to the income and expenditure account.

Income from grants, contracts and other services rendered is included to the extent the conditions of the funding have been met or the extent of the completion of the contract or service concerned. All income from short-term deposits is credited to the income and expenditure account in the period in which it is earned.

Capital grant funding

Government capital grants are capitalised, held as deferred income and recognised in income over the expected useful life of the asset, under the accrual model as permitted by FRS 102. Other, non-governmental, capital grants are recognised in income when the College is entitled to the funds subject to any performance related conditions being met. Income received in advance of performance related conditions being met is recognised as deferred income within creditors on the Balance Sheet and released to income as conditions are met.

Fee income

Income from tuition fees is recognised in the period for which it is earned and includes all fees payable by students or their sponsors.

Investment income

All income from short-term deposits is credited to the income and expenditure account in the period in which it is earned on a receivable basis.

Agency arrangements

The College acts as an agent in the collection and payment of certain discretionary support funds. Related payments received from the funding bodies and subsequent disbursements to students are excluded from the income and expenditure account and are shown separately in note 25, except where the College retains a beneficial interest, in which case the expenditure together with the related income is recognised in the accounts.

Accounting for post-employment benefits

Post-employment benefits to employees of the College are provided by the Teachers' Pension Scheme (TPS) and the Local Government Pension Scheme (LGPS). These are defined benefit schemes, which are externally funded and contracted out of the State Second Pension.

Teachers' Pension Scheme (TPS)

The TPS is an unfunded scheme. Contributions to the TPS are calculated so as to spread the cost of pensions over employees' working lives with the College in such a way that the pension cost is a

1. Statement of Accounting Policies (continued)

substantially level percentage of current and future pensionable payroll. The contributions are determined by qualified actuaries on the basis of valuations using a prospective benefit method.

The TPS is a multi-employer scheme and there is insufficient information available to use defined benefit accounting. The TPS is therefore treated as a defined contribution plan and the contributions recognised as an expense in the income statement in the periods during which services are rendered by employees.

Teesside Local Government Pension Scheme (LGPS)

The LGPS is a funded scheme. The assets of the LGPS are measured using closing fair values. LGPS liabilities are measured using the projected unit credit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The amounts charged to operating surplus are the current service costs and the costs of scheme introductions, benefit changes, settlements and curtailments. They are included as part of staff costs as incurred.

Net interest on the net defined benefit liability/asset is also recognised in the Statement of Comprehensive Income and comprises the interest cost on the defined benefit obligation and interest income on the scheme assets, calculated by multiplying the fair value of the scheme assets at the beginning of the period by the rate used to discount the benefit obligations. The difference between the interest income on the scheme assets and the actual return on the scheme assets is recognised in interest and other finance costs.

Actuarial gains and losses are recognised immediately in actuarial gains and losses.

Short-term employment benefits

Short term employment benefits such as salaries and compensated absences (holiday pay) are recognised as an expense in the year in which the employees render service to the College. Any unused benefits are accrued and measured as the additional amount the College expects to pay as a result of the unused entitlement.

Enhanced pensions

The actual cost of any enhanced ongoing pension to a former member of staff is paid by the College annually. An estimate of the expected future cost of any enhancement to the ongoing pension of a former member of staff is charged in full to the College's income in the year that the member of staff retires. In subsequent years a charge is made to provisions in the balance sheet using the enhanced pension spreadsheet provided by the funding bodies.

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Intangible assets

Intangible assets are stated at cost less accumulated impairment costs and are amortised over their expected useful economic life of 10 years.

Land and buildings

Freehold land is not depreciated. Leasehold land and buildings are depreciated over the period of the lease. The College has a policy of depreciating major adaptations to buildings over the period of their useful economic life.

Where land and buildings are acquired with the aid of specific grants, they are capitalised and depreciated as above. The related grants are credited to a deferred capital income account within creditors and are released

1. Statement of Accounting Policies (continued)

to the income and expenditure account over the expected useful economic life of the related asset on a systematic basis consistent with depreciation policy. Finance costs, which are directly attributable to the construction of land and buildings, are capitalised as part of the cost of those assets. A review for impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying amount of any fixed asset may not be recoverable.

Assets under construction

Assets under construction are accounted for at cost, based on the value of architects' certificates and other direct costs, incurred to 31 July. They are not depreciated until they are brought into use.

Subsequent expenditure on existing fixed assets

Where significant additional expenditure is incurred on tangible fixed assets it is charged to the income and expenditure account in the period it is incurred, unless it meets one of the following criteria, in which case it is capitalised and depreciated on the relevant basis:

- Market value of the fixed asset has subsequently improved
- Asset capacity increases
- Substantial improvement in the quality of output or reduction in operating costs
- Significant extension of the asset's life beyond that conferred by repairs and maintenance

Equipment

Equipment costing less than £2,000 per individual item is written off to the income and expenditure account in the period of acquisition. All other assets are capitalised at cost and depreciated over their useful economic life as follows:

- Motor vehicles and general equipment - 5 years straight line
- Computer equipment - 3 to 5 years straight line
- Furniture, fixtures and fittings - 10 years straight line

Where equipment is acquired with the aid of specific grants, it is capitalised and depreciated in accordance with the above policy, with the related grant being credited to a deferred capital grant account and released to the income and expenditure account over the expected useful economic life of the related equipment.

Leased assets

Costs in respect of operating leases are charged on a straight-line basis over the lease term to the Statement of Comprehensive Income and Expenditure. Any lease premiums or incentives relating to leases signed after 1st August 2014 are spread over the minimum lease term. The College has taken advantage of the transitional exemptions in FRS 102 and has retained the policy of spreading lease premiums and incentives to the date of the first market rent review for leases signed before 1st August 2014.

Leasing agreements which transfer to the College substantially all the benefits and risks of ownership of an asset are treated as finance leases.

Assets held under finance leases are recognised initially at the fair value of the leased asset (or, if lower, the present value of minimum lease payments) at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Assets held under finance leases are included in tangible fixed assets and depreciated and assessed for impairment losses in the same way as owned assets.

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charges are allocated over the period of the lease in proportion to the capital element outstanding.

1. Statement of Accounting Policies (continued)

Investments

Investments in subsidiaries are accounted for at cost less impairment in the College financial statements.

Stocks

Stocks are stated at the lower of their cost (using the first in first out method) and net realisable value. Where necessary, provision is made for obsolete, slow moving and defective stocks.

Cash

Cash for the purposes of the cash flow statement comprises of cash in hand and deposits repayable within three months less overdrafts repayable on demand.

Financial liabilities and equity

Financial liabilities and equity are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form. All loans, investments and short term deposits held by the Group are classified as basic financial instruments in accordance with FRS 102. These instruments are initially recorded at the transaction price less any transaction costs (historical cost). FRS 102 requires that basic financial instruments are subsequently measured at amortised cost.

Maintenance of premises

The cost of routine maintenance is charged to the income and expenditure account in the period in which it is incurred.

Borrowing costs

Borrowing costs are recognised as expenditure in the period in which they are incurred.

Foreign currency translation

Transactions denominated in foreign currencies are recorded using the rate of exchange ruling at the date of transaction.

Foreign currency monetary assets and liabilities are translated at the rates of exchange ruling at the end of the financial year with any exchange differences charged to the income and expenditure account in the period in which they arise.

Taxation

The College is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the College is potentially exempt from taxation in respect of income or capital gains received within categories covered by Chapter 3 Part 11 Corporation Tax Act 2011 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

The College is partially exempt in respect of Value Added Tax, so that it can only recover a minor element, around 3%, of VAT charged on its inputs. Irrecoverable VAT on inputs is included in the costs of such inputs and added to the cost of tangible fixed assets as appropriate, where the inputs themselves are tangible fixed assets by nature. The College has in place a VAT group, incorporating the activities of its subsidiary companies.

1. Statement of Accounting Policies (continued)

Provisions

Provisions are recognised when the College has a present legal or constructive obligation as a result of a past event, it is probable that a transfer of economic benefit will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Accounting estimates and judgements

Judgements in applying accounting policies

In preparing these financial statements, management have made the following judgements:

- *Leases*

Determine whether leases entered into by the College either as a lessor or a lessee are operating or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.

- *Impairment of group tangible fixed assets*

Determine whether there are indicators of impairment of the group's tangible assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.

Other key sources of estimation uncertainty

Certain critical accounting judgements in applying the College's accounting policies are described below.

- *Tangible fixed assets*

Tangible fixed assets, other than investment properties, are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

- *Local Government Pension Scheme*

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 23, will impact the carrying amount of the pension liability. Furthermore, a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2019 has been used by the actuary in valuing the pensions liability at the balance sheet date. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

2 Funding body grants

	Year ended 31 July 2022		Year ended 31 July 2021	
	Group £'000	College £'000	Group £'000	College £'000
Recurrent grants				
Education and Skills Funding Agency - Adult	1,078	1,078	1,442	1,433
Education and Skills Funding Agency - 16-18	24,550	24,550	23,577	23,577
Education and Skills Funding Agency - Apprenticeships	5,667	4,279	5,397	3,986
Tees Valley Combined Authority - Adult	4,699	4,698	3,943	3,943
Office for Students	392	392	321	321
Specific grants				
Education and Skills Funding Agency	1,384	1,384	240	240
Education and Skills Funding Agency - Catch Up	545	541	525	524
Teacher pension scheme contribution grant	586	574	648	648
Tees Valley Combined Authority – Transport Funding	-	-	206	206
Releases of government capital grants	1,523	1,523	1,117	1,117
Total	40,424	39,019	37,416	35,995

3 Tuition fees and education contracts

	Year ended 31 July 2022		Year ended 31 July 2021	
	Group £'000	College £'000	Group £'000	College £'000
Adult education fees	1,095	859	1,226	879
Apprenticeship fees and contracts	94	87	105	89
Fees for FE loan supported courses	1,128	1,128	1,306	1,304
Fees for HE loan supported courses	3,381	3,381	3,440	3,440
Total tuition fees	5,698	5,455	6,077	5,712
Education contracts	19	-	262	-
Total	5,717	5,455	6,339	5,712

4 Other grants and contracts

	Year ended 31 July 2022		Year ended 31 July 2021 (Restated)	
	Group £'000	College £'000	Group £'000	College £'000
Other grants and contracts	2,584	2,196	1,994	1,346
Coronavirus Job Retention Scheme Grant	-	-	258	184
Total	2,584	2,196	2,252	1530

5 Other income

	Year ended 31 July		Year ended 31 July (Restated)	
	2022 Group £'000	2022 College £'000	2021 Group £'000	2021 College £'000
Catering and residences	899	872	356	356
Other income generating activities	-	-	-	-
Miscellaneous income	612	615	396	386
Total	1,511	1,487	752	742

6 Investment income

	Year ended 31 July		Year ended 31 July	
	2022 Group £'000	2022 College £'000	2021 Group £'000	2021 College £'000
Other interest receivable	10	9	7	7
Total	10	9	7	7

7 Staff costs – Group

The average number of persons (including key management personnel) employed by the Group during the year, was:

	2022 No.	2021 No.
Teaching staff	552	570
Non-teaching staff	468	450
	1,020	1,020

Staff costs for the above persons

	2022 £'000	2021 £'000
Wages and salaries	23,452	21,270
Social security costs	2,057	1,803
Other pension costs	5,764	5,324
Payroll sub total	31,273	28,397
Contracted out staffing services	178	67
Other staffing costs	147	128
	31,598	28,592
Restructuring costs – Contractual	194	72
Total Staff costs	31,792	28,664

Staff costs – College

The average number of persons (including key management personnel) employed by the College during the year, was:

	2022	2021
	No.	No.
Teaching staff	454	471
Non-teaching staff	251	295
	705	766

Staff costs for the above persons

	2022	2021
	£'000	£'000
Wages and salaries	17,513	16,417
Social security costs	1,567	1,403
Other pension costs	5,568	5,171
Payroll sub total	24,648	22,991
Contracted out staffing services	36	24
Other staffing costs	138	124
	24,822	23,139
Restructuring costs – Contractual	181	71
Total Staff costs	25,003	23,210

Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the College and are represented by the Senior Leadership team which comprises the Principal/Chief Executive, Deputy Principal, Vice Principals and Executive Directors.

Emoluments of Key management personnel, Accounting Officer and other higher paid staff

	2022	2021
	No.	No.
The number of key management personnel including the Accounting Officer was:	9	9

The number of key management personnel and other staff who received annual emoluments, excluding employer contributions to national insurance and pensions but including benefits in kind, in the following ranges was:

	Key management personnel		Other higher paid staff	
	2022	2021	2022	2021
	No.	No.	No.	No.
£10,001 to £15,000 p.a.	-	1	-	-
£25,001 to £30,000 p.a.	1	-	-	-
£30,001 to £35,000 p.a.	1	-	-	-
£40,001 to £45,000 p.a.	-	2	-	-
£45,001 to £50,000 p.a.	1	-	-	-
£55,001 to £60,000 p.a.	-	1	1	1
£60,001 to £65,000 p.a.	-	-	4	5
£65,001 to £70,000 p.a.	1	1	2	2
£70,001 to £75,000 p.a.	1	-	1	-
£75,001 to £80,000 p.a.	-	1	-	-
£80,001 to £85,000 p.a.	2	1	-	-
£85,001 to £90,000 p.a.	-	1	-	-
£90,001 to £95,000 p.a.	1	-	-	-
£140,001 to £145,000 p.a.	1	1	-	-
	9	9	8	8

Emoluments paid to key management personnel are made up as follows:

	2022	2021
	£'000	£'000
Salaries	655	614
Employers National Insurance	84	76
Pension contributions	116	114
Total key management personnel emoluments	855	804

There were no amounts due to key management personnel that were waived in the year, nor any salary sacrifice arrangements in place.

The above emoluments include amounts payable to the Accounting Officer (who is also the highest paid officer) of:

	2022	2021
	£'000	£'000
Salaries	147	142
Pension contributions	22	22
	169	164

No compensation for loss of office was paid during the current year to former key management personnel.

The governing body adopted the AoC's Senior Staff Remuneration Code on 15 July 2019 and will assess and report pay in line with its principles in future. The Governing Body also adopted Annex 2 of the AoC's code which outlines the justification of the non-adoption of the CUC Higher Education Staff Remuneration code.

The remuneration package of the Principal / Chief Executive and Clerk to the Corporation, is subject to annual review by the Remuneration Committee of the governing body who use benchmarking information to

provide objective guidance. This is reported and approved by the Governing Body annually in line with the principals of the AoC's Senior Staff Remuneration Code.

The Principal / Chief Executive remuneration package remains below the median further education sector turnover benchmark for a college of this size.

The Principal / Chief Executive and Clerk to the Corporation reports to the Chair of Governors, who, with the Vice Chair of Governors, undertakes an annual review of performance against the College's overall objectives using both qualitative and quantitative measures of performance.

Relationship of Principal/Chief Executive pay and remuneration expressed as a multiple:

	2022	2021
Principal/CEO's basic salary as a multiple of the median of all staff	5.67	5.24
Principal/CEO's total remuneration as a multiple of the median of all staff	5.28	5.33

Compensation for loss of office paid to former key management personnel

	2022 £	2021 £
Compensation paid to the former post holder	-	150
Estimated value of other benefits, including provisions for pension	-	-

The severance payment was approved by the College's Remuneration Committee.

8 Other operating expenses

	2022 Group £'000	2022 College £'000	2021 Group £'000	2021 College £'000
Teaching costs	3,250	3,125	1,841	1,743
Non-teaching costs	8,568	14,753	8,596	12,398
Premises costs	4,086	3,635	3,930	3,360
Total	15,904	21,513	14,367	17,501

Other operating expenses include:

	2022 £'000	2021 £'000
Auditors' remuneration:		
Financial statements audit*	49	42
Internal audit**	39	33
Other services provided by the financial statements auditor – taxation returns	12	9
Hire of assets under operating leases	812	1,084

* includes £25,150 in respect of the College (2020/21 £23,050)

** includes £39,992 in respect of the College (2020/21 £33,281)

9 Interest and other finance costs – Group and College

	2022	2021
	£'000	£'000
On bank loans	208	194
Net interest on defined pension liability (note 23)	488	415
Net interest on enhanced pension liability	51	43
	747	652

9a Access and participation spending

	Group 2022	Group 2021
	£'000	£'000
Access investment	166	146
Financial support to students	75	91
Disability support	74	76
Research and evaluation (relating to access and participation)	69	33
	384	346

10 Tangible fixed assets (Group)

	Land and buildings Long leasehold £'000	Equipment £'000	Assets in the course of construction £'000	Total £'000
Cost or valuation				
At 1 August 2021	83,528	31,999	5,657	121,184
Additions	-	4,853	3,838	8,691
Lennartz Adjustment	246	-	-	246
Transfers	7,513	1,494	(9,007)	-
Disposals	-	(321)	-	(321)
At 31 July 2022	91,287	38,025	488	129,800
Depreciation				
At 1 August 2021	(19,245)	(25,973)	-	(45,219)
Charge for the year	(1,741)	(2,467)	-	(4,208)
Lennartz accelerated depreciation	(72)	-	-	(72)
Elimination in respect of disposals	-	318	-	318
At 31 July 2022	(21,058)	(28,122)	-	(49,181)
Net book value at 31 July 2022	70,229	9,903	488	80,619
Net book value at 31 July 2021	64,283	6,026	5,657	75,965

Tangible fixed assets (College)

	Land and buildings Long leasehold	Equipment	Assets in the course of construction	Total
	£'000	£'000	£'000	£'000
Cost or valuation				
At 1 August 2021	83,528	31,526	5,657	120,711
Additions	-	4,854	3,837	8,691
Lennartz Adjustment	246	-	-	246
Transfers	7,513	1,494	(9,007)	-
Disposals	-	(321)	-	(321)
At 31 July 2022	91,287	37,553	487	129,327
Depreciation				
At 1 August 2021	(19,245)	(25,823)	-	(45,069)
Charge for the year	(1,741)	(2,369)	-	(4,110)
Lennartz accelerated depreciation	(72)	-	-	(72)
Elimination in respect of disposals	-	318	-	318
At 31 July 2022	(21,058)	(27,874)	-	(48,932)
Net book value at 31 July 2022	70,229	9,679	487	80,395
Net book value at 31 July 2021	64,283	5,703	5,657	75,643

11 Taxation

The Governing Body do not believe that the Group was liable for any corporation tax arising out of its activities during either year.

12 Non-current investments

	College 2022 £'000	College 2021 £'000
Investments in subsidiary companies	1,119	1,119
Total	1,119	1,119

The College owns 100 per cent of the issued ordinary £1 shares of Northern Skills Group Business Services Limited, a company incorporated in England and Wales, with registered office address Dock Street, Middlesbrough, TS2 1AD. The principal business activity of the company is the contracting of staff to deliver education and training as part of the group activities.

In December 2019, the College acquired 100 per cent of the issued ordinary £1 shares of TTE Technical (UK) Limited, TTE International Limited and TTE Apprenticeships Limited, each company is incorporated in England and Wales, with registered office address Edison House, South Bank, Middlesbrough, TS6 6TZ. The principal activity of each company is the delivery of technical training as part of the group activities.

The College owns 100 per cent of the issued ordinary £1 shares of Northern Apprenticeship Company Limited, a company incorporated in England and Wales, with registered office address Dock Street, Middlesbrough, TS2 1AD. The principal business activity of the company is operating as and Apprenticeship Training Agency, employing apprentices engaged on training programmes.

The College owns 100 per cent of the issued ordinary £1 shares of Middlesbrough College Management Services Limited (dormant) a company incorporated in England and Wales, with a registered office address Dock Street, Middlesbrough, TS2 1AD.

The College owns 100 per cent of the issued ordinary £1 shares of University Centre Middlesbrough Limited (dormant) a company incorporated in England and Wales, with a registered office address Dock Street, Middlesbrough, TS2 1AD.

13 Intangible assets (Group)

	Goodwill £'000	Total £'000
Cost		
At 1 August 2021	694	694
Acquisitions	-	-
At 31 July 2022	694	694
Depreciation		
At 1 August 2021	(232)	(232)
Charge for the year	(69)	(69)
At 31 July 2022	(301)	(301)
Net book value at 31 July 2022	393	393
Net book value at 31 July 2021	462	462

The College held no intangible assets at 31 July 2022 (2021: £nil).

14 Trade and other receivables

	Group 2022 £'000	College 2022 £'000	Group 2021 £'000	College 2021 £'000
Amounts falling due within one year:				
Trade receivables	561	413	399	194
Amounts owed by group undertakings	-	524	-	614
Prepayments and accrued income	3,637	2,789	3,662	3,327
Total	4,198	3,726	4,061	4,135

15 Creditors: amounts falling due within one year

	Group 2022 £'000	College 2022 £'000	Group 2021 £'000	College 2021 £'000
Bank loans	638	638	638	638
Trade creditors	691	671	673	643
Amounts owed to group undertakings	-	37	-	149
Other taxation and social security	601	468	535	418
Accruals and deferred income	2,860	2,573	2,846	2,464
Other creditors	429	380	405	364
Deferred income - government capital grants	1,867	1,867	1,689	1,689
Deferred income – non government capital grants	9	9	9	9
Amounts owed to the ESFA	541	515	833	804
Total	7,636	7,158	7,628	7,178

16 Creditors: amounts falling due after one year

	Group 2022 £'000	College 2022 £'000	Group 2021 £'000	College 2021 £'000
Bank loans	10,050	10,050	10,688	10,688
Deferred income – government capital grants	38,430	38,430	34,240	34,240
Deferred income – non government capital grants	35	35	43	43
Total	48,515	48,515	44,971	44,971

17 Maturity of debt

(a) Bank loans

Bank loans and overdrafts are repayable as follows:

	Group 2022 £'000	College 2022 £'000	Group 2021 £'000	College 2021 £'000
In one year or less	638	638	638	638
Between one and two years	1,276	1,276	1,276	1,276
Between two and five years	1,914	1,914	1,914	1,914
In five years or more	6,860	6,860	7,498	7,498
Total	10,688	10,688	11,326	11,326

Bank loans are repayable by instalments between 1 August 2020 and 31 March 2030, totalling £10.688m. The lender is Santander on an unsecured basis. Interest is floating following the Sterling Overnight Interbank Average Rate “SONIA” plus a fixed margin of 1.45%.

18 Financial instruments

The carrying amounts of the financial assets and liabilities include:

	Group 2022 £'000	College 2022 £'000	Group 2021 £'000	College 2021 £'000
Assets measured at amortised cost:				
Trade debtors	561	413	399	194
Amounts owed by group undertakings	-	524	-	614
	561	937	399	808
Liabilities measured at amortised cost:				
Trade creditors	691	671	673	643
Other creditors	429	380	405	364
Accruals	2,457	2,247	2,439	2,283
Amounts owed to group undertakings	-	37	-	149
Bank loans	10,688	10,688	11,326	11,326
	14,265	14,023	14,843	14,765

19 Provisions

Group and College	Defined benefit obligations £'000	Enhanced pensions £'000	Total £'000
At 1 August 2021	27,535	3,165	30,700
Expenditure in the period	(994)	(217)	(1,211)
Charge in the period	(23,310)	(337)	(23,647)
At 31 July 2022	3,231	2,611	5,842

Defined benefit obligations relate to the liabilities under the College's membership of the Local Government Pension Scheme. Further details are given in Note 23.

The enhanced pension provision relates to the cost of staff who have already left the College's employment.

The principal assumptions for this calculation are:

	2022	2021
Price inflation	2.90%	2.60%
Discount rate	3.30%	1.60%

20 Cash and cash equivalents (Group)

	At 1 August 2021	Cash flows	Other changes	At 31 July 2022
	£'000	£'000	£'000	£'000
Cash and cash equivalents				
Cash and cash equivalents	6,585	(1,337)	-	5,248
	6,585	(1,337)	-	5,248
Borrowings				
Debt due within one year	(638)	638	(638)	(638)
Debt due after one year	(10,688)		638	(10,050)
	(11,326)	638	-	(10,688)
Total	(4,741)	(699)	-	(5,440)

21 Capital commitments

	Group and College	
	2022	2021
	£'000	£'000
Commitments contracted for at 31 July	123	3,725

22 Lease obligations

At 31 July the College had minimum lease payments under non-cancellable operating leases as follows:

	Group and College	
	2022	2021
	£'000	£'000
Future minimum lease payments due:		
Land and buildings		
Not later than one year	446	499
Later than one year and not later than five years	759	1,208
Later than five years	-	-
	1,205	1,707
Other		
Not later than one year	109	140
Later than one year and not later than five years	151	228
Later than five years	-	-
	260	368
Total lease payments due	1,465	2,075

23 Defined benefit obligations

The College's employees belong to two principal post-employment benefit plans: the Teachers' Pension Scheme England and Wales (TPS) for academic and related staff; and the Teesside Local Government Pension Scheme (LGPS) for non-teaching staff which is administered by Middlesbrough Council via the Teesside Pension Fund Committee Panel. Both are multi-employer defined-benefit plans.

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest formal actuarial valuation of the TPS was 31 March 2019 and of the LGPS 31 March 2019.

Total pension cost for the year	2022 £000	2021 £000
Teachers' Pension Scheme: contributions paid	2,124	1,914
Local Government Pension Scheme:		
Contributions paid	994	1,002
FRS 102 (28) charge	2,457	3,281
Charge to the Statement of Comprehensive Income (staff costs)	5,575	5,197
Enhanced pension charge to Statement of Comprehensive Income	15	14
Total Pension Cost for Year	5,590	5,211

There were no outstanding or prepaid contributions at either the beginning or the end of the financial year.

Teachers' Pension Scheme

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme, governed by the Teachers' Pensions Regulations 2014. These regulations apply to teachers in schools and other educational establishments, including colleges. Membership is automatic for teachers and lecturers at eligible institutions. Teachers and lecturers are able to opt out of the TPS.

The TPS is an unfunded scheme and members contribute on a 'pay as you go' basis – these contributions, along with those made by employers, are credited to the Exchequer under arrangements governed by the above Act. Retirement and other pension benefits are paid by public funds provided by Parliament.

Under the definitions set out in FRS 102 (28.11), the TPS is a multi-employer pension plan. The College is unable to identify its share of the underlying assets and liabilities of the plan.

Accordingly, the College has taken advantage of the exemption in FRS 102 and has accounted for its contributions to the scheme as if it were a defined-contribution plan. The College has set out above the information available on the plan and the implications for the College in terms of the anticipated contribution rates.

The valuation of the TPS is carried out in line with regulations made under the Public Service Pension Act 2013. Valuations credit the teachers' pension account with a real rate of return assuming funds are invested in notional investments that produce that real rate of return.

The latest actuarial review of the TPS was carried out as at 31 March 2019. The valuation report was published by the Department for Education (the Department) in April 2019. The valuation reported total scheme liabilities (pensions currently in payment and the estimated cost of future benefits) for service to the effective date of £218 billion, and notional assets (estimated future contributions together with the notional investments held at the valuation date) of £198 billion giving a notional past service deficit of £22 billion.

As a result of the valuation, new employer contribution rates were set at 23.68% of pensionable pay from September 2019 onwards (compared to 16.48% during 2018 / 2019). DfE has agreed to pay a teacher pension employer contribution grant to cover the additional costs during the 2021 / 2022 academic year.

A full copy of the valuation report and supporting documentation can be found on the Teachers' Pension Scheme website.

The pension costs paid to TPS in the year amounted to £2.124m (2021: £1.914m).

Local Government Pension Scheme

The LGPS is a funded defined-benefit plan, with the assets held in separate funds administered by the Teesside Pension Fund. The total contributions made for the year ended 31 July 2022 were £1.419m, of which employer's contributions totalled £994,000 and employees' contributions totalled £425,000. The agreed contribution rates for future years are 15.2% for employers and range from 5.5% to 12.5% for employees, depending on salary.

The following information is based upon a full actuarial valuation of the fund at 31 March 2019, updated to 31 July 2022 by a qualified independent actuary (Hymans Robertson LLP).

	At 31 July 2022	At 31 July 2021
Rate of increase in salaries	3.75%	3.60%
Future pensions increases	2.75%	2.60%
Discount rate for scheme liabilities	3.50%	1.70%
Inflation assumption (CPI)	2.75%	2.60%

Pension Increase Orders are used to set the level of pension increases with effect from 1 April each year, normally with reference to the change in CPI inflation over the 12 months to the previous September, which was announced in October. This was 9.9% and was considerably higher than the CPI assumption set by employers as at 31 July 2022. As Pension Increase Orders are not automatically set with reference to the September CPI and they are only known with certainty when the Pension Increase Order is enacted by Parliament, which is usually in April of the following year, no adjustment has been made to recognise the possible 2023 Pension Increase Order within the CPI assumption.

The current mortality assumptions include sufficient allowance for future improvements in mortality rates. The assumed life expectations on retirement age 65 are:

	At 31 July 2022	At 31 July 2021
	Years	Years
<i>Retiring today</i>		
Males	21.7	21.9
Females	23.5	23.6
<i>Retiring in 20 years</i>		
Males	22.9	23.3
Females	25.3	25.4

The College's asset allocation at the balance sheet date were:

	Fair Value at 31 July 2022 £'000	Fair Value at 31 July 2021 £'000
Equity instruments	35,547	37,814
Property	9,410	3,490
Cash	7,318	3,968
Other	-	2,534
Total fair value of plan assets	52,275	47,806

The amount included in the balance sheet in respect of the defined benefit pension plan is as follows:

	2022 £'000	2021 £'000
Fair value of plan assets	52,275	47,806
Present value of plan liabilities	(55,506)	(75,341)
Net pensions liability	(3,231)	(27,535)

Amounts recognised in the Statement of Comprehensive Income in respect of the plan are as follows:

	2022 £'000	2021 £'000
Amounts included in staff costs		
Current service cost	3,451	3,255
Past service cost	-	-
Curtailment cost	-	28
Total	3,451	3,283

Amounts included in interest payable

Net interest payable	488	415
	488	415

Amount recognised in Other Comprehensive Income

Return on pension plan assets	3,228	7,757
Experience (gains) / losses arising on defined benefit obligations	24,021	(2,432)
Amount recognised in Other Comprehensive Income	27,249	5,325

Movement in net defined liability during the year

	2022	2021
	£'000	£'000
Net defined benefit liability in scheme at 1 August	(27,535)	(30,164)
Movement in year:		
Current service cost	(3,451)	(3,255)
Employer contributions	994	1,002
Past service costs	-	-
Curtailment cost	-	(28)
Net interest on the defined benefit liability	(488)	(415)
Actuarial gain	27,249	5,325
Net defined benefit liability in scheme at 31 July	(3,231)	(27,535)

Asset and Liability Reconciliation

	2022	2021
	£'000	£'000
Changes in the present value of defined benefit obligations		
Defined benefit obligations at start of period	(75,341)	(69,330)
Current service cost	(3,451)	(3,255)
Interest cost	(1,304)	(966)
Contributions by Scheme participants	(425)	(397)
Experience gains and losses on defined benefit obligations	24,021	(2,432)
Estimated benefits paid	994	1,067
Past Service cost	-	-
Curtailements and settlements	-	(28)
Defined benefit obligations at end of period	(55,506)	(75,341)

Changes in fair value of plan assets

Fair value of plan assets at start of period	47,806	39,166
Interest on plan assets	816	551
Return on plan assets	3,228	7,757
Employer contributions	994	1,002
Contributions by Scheme participants	425	397
Estimated benefits paid	(994)	(1,067)
Fair value of plan assets at end of period	52,275	47,806

24 Related party transactions

Owing to the nature of the College's operations and the composition of the board of governors being drawn from local public and private sector organisations, it is inevitable that transactions will take place with organisations in which a member of the board of governors may have an interest. All transactions involving such organisations are conducted at arm's length and in accordance with the College's financial regulations and normal procurement procedures.

The total expenses paid to or on behalf of the Governors during the year was £2,794.85, 5 Governors (2021: £0; 0 Governors). This represents travel and subsistence expenses and other out of pocket expenses incurred in attending Governor meetings and charity events in their official capacity.

Daniel Still, external moderator at One Awards joined the board in 2019/20. During the year purchases of £74,345 (2021: £82,614) were made in relation to examination fees and membership fees. A balance of £1,000 (2021: £0) is included in the College's creditors at the year end.

Stuart Green, affiliated to Newcastle City Council, an external member who was re-appointed in 2021/22. During the year purchases of £6,195 (2021: £953) were made in relation to business rates. A balance of £4,136 (2021: £0) is included in the College's debtors at year end in relation to prepayments. Also affiliated to Sunderland City Council, where during the year expenditure of £125 (2021: £0) were made in relation to business rates also. Mr Green is also affiliated to Middlesbrough Council where during the year sales of £38k (2021: £41k) were conducted and £202k (2021: £293k) funding was received in relation to high needs students, purchases of £124,620 (2021: £211,606) were also made in relation to business rates, car park rental and electricity recharges. The College also received £1.004m (2021: £0) in capital grants. At the year-end a balance of £385k (2021: £142k) was included in the College's debtors and £94k (2021: £125k) included in the College's creditors

Sharon Lane, Managing Director of Tees Components Limited was re-appointed in 2022. The College provides training and education to employees of the business under Apprenticeship training programmes in accordance with ESFA policy and guidelines. The business transactions are conducted at arm's length. During the year sales of £839 (2021: £1,013) and purchases of £2,000 (2021: £1,000) were made. Sharon is also the Chair of the Regional Advisory Board for Make UK were during the year purchases of £34k (2021: £10,737) were made for training courses, at the year end a balance of £8k (2021: £6k) was included in the College's debtors in relation to prepaid training course fees.

Heather Ashton, Executive Director of Business Change and Improvement at Thirteen Group and also a Board Member the Northern Council for Education, joined the College's board in 2018 / 2019. During the year sales of £2,765 (2021: £0) were made in relation to Thirteen Group. In respect of the Northern Council for Further Education Sales of £229 (2021: £0) were conducted and purchase of £148k (2021: £189k) were made in relation to exams fees.

Dominic Lusardi, affiliated with Wander Films, joined the College's board in 2021/22. During the year sales of £400 (2021: £1,725) were conducted and purchases of £2,900 (2021: £0) were made.

Edward Kunonga, Honorary Professor of Public Health at – University of Teesside, joined the College's board in 2021/22. During the year sales of £2,060 (2021: £0) were conducted and purchases of £8k (2021: £2k) were made.

Michael Laidler, Headteacher of Acklam Grange School, joined the College's board in 2018/19. During the year sales of £42,496 (2021: £4,560) were conducted.

Rachel Anderson, Assistant Director of Policy at the North East Chamber of Commerce joined the board in 2018 / 2019. During the year purchases of £7,450 (2021: £7,272) were made in relation to membership fees and sponsorship. At the year end a balance of £6,600 (2021: £0) was included in the College's creditors.

The College has had a range of transactions with TTE Technical Ltd, its wholly owned subsidiary company. The College has recharged for the provision of a range of miscellaneous goods and services that were

made during the year totalling £407,393 (2021: £672k). In return TTE Technical UK Ltd has recharged the College £2.332m (2021: £1.145m) during the year, of which £2.139m (2021: £1.027m) in respect of the delivery of 16-18 funding, £71k in respect of recharged goods and services, £57k (2021: £0) in relation to staffing recharges, £56k (2021: £53k) in respect of the collection of course receipts by the College, £3k (2021: £31k) in respect of courses delivered on behalf of the College and £6k (2021: £34k) miscellaneous recharges. At the year end the Company owed the College £426k (2021: £605k).

The College has also had a range of transaction with Northern Skills Group Business Services Ltd, its wholly owned subsidiary company. The College has recharged the Company £4.954m (2021: £3.641m) for the provision of staffing and £0.160m (2021: £0.151m) in respect of estates and finance costs. In return the Company has recharged the College £5.114m (2021: £3.792m) in respect of management recharges. At the year end the Company owed the College £0.097m (2021: £0.115m was owed by the College to the Company).

The College has also had a number of transactions with TTE International Ltd, its wholly owned subsidiary company. The College has recharged for £12k (2021: 50k) for the provision of IT and finance costs and also £5k (2021: £81k, of which £76k relates to the College paying the salary payments on the Company's behalf for the period August to December 2020) with regards to a salary recharge. In return the Company has recharged the College £16k (2021: £0) in reclaimed VAT as a result of the Company forming part of the College's VAT group. At the year end the College owed the Company £4k (2021: £8k was owed to the College by the Company).

The College has also had one transaction with TTE Apprenticeships Ltd, its wholly owned subsidiary company. The College has recharged the Company £654 (2021: £1,745) with regards to audit fees. At the year end the Company owed the College £654 (2021: £806 was owed by the College to the Company).

The College has also had one transaction with Northern Apprenticeship Company Ltd, its wholly owned subsidiary company. The College has recharged the Company £654 (2021: £725) with regards to audit fees. At the year end the Company owed the College £654 (2021: £752).

25 Amounts disbursed as agent

Learner support funds	2022 £'000	2021 £'000
Funding body grants – bursary support	1,099	1,073
Interest earned	-	-
	<u>1,099</u>	<u>1,073</u>
Disbursed to students	(1,012)	(749)
Administration costs	(55)	(39)
Unspent balance carried forward from prior year	<u>223</u>	<u>-</u>
Balance unspent as at 31 July, included in creditors	<u>255</u>	<u>285</u>

Funding body grants are available solely for students. In the majority of instances, the College only acts as a paying agent. In these circumstances, the grants and related disbursements are therefore excluded from the Statement of Comprehensive Income.

26 Post Balance Sheet Events

On 29th November 2022 Government announced that Further Education Corporations were to be reclassified as public sector bodies with immediate effect. This has a range of consequences linking to a Corporation's ability to make certain decisions without prior approval from the Department for Education. The College considers this announcement to be a non-adjusting post balance sheet event and is evaluating the implications of the announcement and the potential new rules but do not consider that they will have an impact on these financial statements.

A further key consequence is that the decision requires Further Education Corporation's and their subsidiary companies to comply with the provisions of HM treasury's "Managing Public Money" guidance. In complying with this guidance Colleges no longer have the freedom to access new finance from commercial lenders, either to support working capital or to invest in capital projects.

Middlesbrough College currently has a cash surplus and no immediate requirement for working capital finance. However, the future planned investment in the relocation of its TTE engineering centre relies on the College's ability to draw down up to £5m of commercial borrowings. The position with regard to the College's ability to replace this lost finance is unclear and viability/deliverability of the project is currently uncertain pending further guidance and consultation with DfE with regard to the College's options.